GLADSTONE LAND Corp
Form 10-Q
August 02, 2016
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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 JUNE 30, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER: 001-35795

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

MARYLAND	54-1892552
(State or other jurisdiction of 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO ¨

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

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

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

The number of shares of the registrant’s Common Stock, $0.001 par value per share, outstanding as of August 1, 2016, was 10,024,875.

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GLADSTONE LAND CORPORATION
FORM 10-Q FOR THE QUARTER ENDED
JUNE 30, 2016
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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2016	December 31, 2015
ASSETS		
Investments in real estate, net	$268,581,945	$221,783,425
Lease intangibles, net	2,033,221	1,763,541
Cash and cash equivalents	2,077,250	2,532,522
Deferred financing costs related to borrowings under line of credit, net	124,410	132,495
Other assets, net	2,368,283	2,472,042
Total assets	$275,185,109	$228,684,025
LIABILITIES AND EQUITY		
LIABILITIES:		
Mortgage notes and bonds payable, net	$165,973,676	$141,578,935
Borrowings under line of credit	14,500,000	100,000
Accounts payable and accrued expenses	3,945,411	3,495,339
Due to related parties[1]	736,121	565,593
Other liabilities	7,802,760	4,937,439
Total liabilities	192,957,968	150,677,306
Commitments and contingencies[2]		
EQUITY:		
Stockholders' equity:		
Common stock, $0.001 par value; 20,000,000 shares authorized; 9,992,941 shares issued and outstanding as of June 30, 2016, and December 31, 2015	9,993	9,993
Additional paid-in capital	87,494,872	86,892,095
Accumulated deficit	(10,988,919)	(8,895,369)
Total stockholders' equity	76,515,946	78,006,719
Non-controlling interests in operating partnership	5,711,195	—
Total equity	82,227,141	78,006,719
TOTAL LIABILITIES AND EQUITY	$275,185,109	$228,684,025

(1) Refer to Note 5, "Related-Party Transactions," for additional information.
(2) Refer to Note 7, "Commitments and Contingencies," for additional information.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
OPERATING REVENUES:				
Rental revenue	$4,241,612	$2,780,456	$7,921,085	$5,402,783
Tenant recovery revenue	2,829	3,397	6,032	6,794
Total operating revenues	4,244,441	2,783,853	7,927,117	5,409,577
OPERATING EXPENSES:				
Depreciation and amortization	1,334,973	711,803	2,311,683	1,503,435
Property operating expenses	158,578	156,405	338,781	362,170
Acquisition-related expenses	24,648	178,016	119,872	348,697
Management fee[1]	385,586	328,392	772,740	624,140
Incentive fee[1]	158,877	—	158,877	—
Administration fee[1]	179,377	177,852	391,237	308,788
General and administrative expenses	408,365	336,714	839,691	734,068
Operating expenses before credits from Adviser	2,650,404	1,889,182	4,932,881	3,881,298
Credits to fees from Adviser[1]	—	—	—	(320,905)
Total operating expenses, net of credits to fees	2,650,404	1,889,182	4,932,881	3,560,393
OPERATING INCOME	1,594,037	894,671	2,994,236	1,849,184
OTHER INCOME (EXPENSE):				
Other income	8,643	1,593	103,284	21,023
Interest expense	(1,486,820)	(947,362)	(2,741,668)	(1,896,731)
Property and casualty recovery, net	—	20,809	—	20,809
Total other expense	(1,478,177)	(924,960)	(2,638,384)	(1,854,899)
NET INCOME (LOSS)	115,860	(30,289)	355,852	(5,715)
Less net income attributable to non-controlling interests	(8,047)	—	(13,623)	—
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	$107,813	$(30,289)	$342,229	$(5,715)
EARNINGS (LOSS) PER COMMON SHARE:				
Basic and diluted	$0.01	$(0.00)	$0.03	$(0.00)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING				
Basic and diluted	9,992,941	8,439,855	9,992,941	8,098,681

[1] Refer to Note 5, "Related-Party Transactions," for additional information.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Common Stock Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance at December 31, 2014	7,753,717	$ 7,754	$ 65,366,309	$ (5,404,735)	$ —	$ 59,969,328
Net income	—	—	—	568,545	—	568,545
Proceeds from issuance of common stock, net	2,239,224	2,239	21,525,786	—	—	21,528,025
Distributions	—	—	—	(4,059,179)	—	(4,059,179)
Balance at December 31, 2015	9,992,941	$ 9,993	$ 86,892,095	$ (8,895,369)	$ —	$ 78,006,719
Net income	—	—	—	342,229	13,623	355,852
Offering costs	—	—	(3,867)	—	(25,500)	(29,367)
Distributions	—	—	—	(2,435,779)	(122,137)	(2,557,916)
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	6,451,853	6,451,853
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	606,644	—	(606,644)	—
Balance at June 30, 2016	9,992,941	$ 9,993	$ 87,494,872	$ (10,988,919)	$ 5,711,195	$ 82,227,141

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
(UNAUDITED)

	For the Six Months Ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$355,852	$(5,715)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,311,683	1,503,435
Amortization of deferred financing costs	69,726	43,927
Amortization of deferred rent assets and liabilities, net	(84,813)	(125,739)
Property and casualty recovery, net	—	(20,809)
Allowance for doubtful accounts	50,820	—
Changes in operating assets and liabilities:		
Other assets	9,941	22,071
Accounts payable, accrued expenses and due to related parties	521,763	330,717
Other liabilities	3,029,581	(141,877)
Net cash provided by operating activities	6,264,553	1,606,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of new real estate	(34,375,908)	(35,279,105)
Capital expenditures on existing real estate	(7,883,458)	(1,589,150)
Decrease in restricted cash	—	132,741
Deposits on future acquisitions	(150,000)	(200,000)
Deposits applied against real estate investments	(416,725)	(350,000)
Deposits refunded	200,000	100,000
Insurance proceeds received capitalized as real estate additions	—	20,809
Net cash used in investing activities	(42,626,091)	(37,164,705)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of equity	—	14,895,206
Offering costs	(251,710)	(877,768)
Borrowings from mortgage notes payable	24,813,000	25,450,280
Repayments on mortgage note payable	(419,596)	(206,475)
Net borrowings from (repayments on) line of credit	14,400,000	(1,200,000)
Payment of financing fees	(77,512)	(116,333)
Distributions paid on common stock	(2,435,779)	(1,846,850)
Distributions paid to non-controlling interests in Operating Partnership	(122,137)	—
Net cash provided by financing activities	35,906,266	36,098,060
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(455,272)	539,365
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,532,522	2,619,342
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$2,077,250	$3,158,707
NON-CASH INVESTING AND FINANCING INFORMATION:		
Issuance of non-controlling interests in operating partnership in conjunction with acquisitions	$6,451,853	$—
Real estate additions included in Accounts payable, accrued expenses and due to related parties	1,485,479	1,421,863
Real estate additions included in Other liabilities	623,808	—
Real estate additions removed from Other liabilities	700,000	—
	13,598	259,776

Common stock offering and OP Unit issuance costs included in Accounts payable, accrued expenses and due to related parties		
Financing fees included in Accounts payable, accrued expenses and due to related parties	7,912	14,382

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

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

NOTE 1. BUSINESS

Business

Gladstone Land Corporation is a real estate investment trust ("REIT") that was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004, and having been originally incorporated in California on June 14, 1997. We are primarily in the business of owning and leasing farmland, and we conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the "Operating Partnership"), a Delaware limited partnership. The Company owned 93.1% and 100.0% of the limited partnership interests in the Operating Partnership ("OP Units") as of June 30, 2016, and December 31, 2015, respectively (see Note 6, "Equity," for additional discussion regarding OP Units).

Subject to certain restrictions and limitations, and pursuant to contractual agreements, our business is managed by Gladstone Management Corporation (the "Adviser"), a Delaware corporation, and administrative services are provided to us by Gladstone Administration, LLC (the "Administrator"), a Delaware limited liability company. Our Adviser and Administrator are both affiliates of ours.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

Our interim financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of our management, all adjustments, consisting solely of normal recurring accruals, necessary for the fair presentation of financial statements for the interim period have been included. The interim financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the U.S. Securities and Exchange Commission (the "SEC") on February 23, 2016 (the "Form 10-K"). The results of operations for the three and six months ended June 30, 2016, are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

Use of Estimates

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

Reclassifications

Certain line items on the Condensed Consolidated Balance Sheet as of December 31, 2015, the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2015, and the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2015, have been reclassified to conform to the current period's presentation. These reclassifications had no impact on previously-reported stockholders' equity, net income or net change in cash and cash equivalents.

Non-controlling Interests

Non-controlling interests are interests in the Operating Partnership not owned by us. We evaluate whether non-controlling interests are subject to redemption features outside of our control. As of June 30, 2016, the non-controlling interests in the Operating Partnership are redeemable for cash or, at our option, shares of our common stock and thus are reported in the equity section of the Condensed Consolidated Balance Sheet but separate from stockholders' equity. The amount reported for non-controlling interests on the Condensed Statement of Operations represents the portion of income from the Operating Partnership not attributable to us.

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Critical Accounting Policies

The preparation of financial statements in accordance with GAAP requires management to make judgments that are subjective in nature in order to make certain estimates and assumptions, and the application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties. A summary of our significant accounting policies is provided in Note 2 to our consolidated financial statements included in our Form 10-K. There were no material changes to our significant accounting policies during the six months ended June 30, 2016.

Recently-Issued Accounting Pronouncements

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

The following table summarizes the retrospective adjustment and the overall impact on the previously-reported consolidated financial statements:

	As of December 31, 2015	
	As Previously Reported	Retrospective Application
Deferred financing costs related to mortgage notes and bonds payable[1]	$ 1,054,222	$ —
Mortgage notes and bonds payable, net	142,633,157	141,578,935

[1] Included as part of Deferred financing costs, net, as reported on the Consolidated Balance Sheet in the Form 10-K.

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

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

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification” (“ASU 2016-02”). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the leases is effectively a financed purchase by the lessee, which classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of the classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leasing standard, ASC 840, “Leases,” and is effective on January 1, 2019, with early

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

NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly owned on a fee-simple basis. The following table provides certain summary information about our 47 farms as of June 30, 2016:

Property Name	Location	Date Acquired	Number of Farms	Total Acres	Farm Acres	Lease Expiration Date	Net Cost Basis[1]	Encumbrances[2]
San Andreas	Watsonville, CA	6/16/1997	1	307	238	12/31/2020	$4,766,850	$5,419,371
West Gonzales	Oxnard, CA	9/15/1998	1	653	502	6/30/2020	12,087,278	27,572,207
West Beach	Watsonville, CA	1/3/2011	3	196	195	12/31/2023	9,284,807	5,279,214
Dalton Lane	Watsonville, CA	7/7/2011	1	72	70	10/31/2020	2,678,229	1,749,149
Keysville Road	Plant City, FL	10/26/2011	2	61	56	6/30/2020	1,239,809	897,600
Colding Loop	Wimauma, FL	8/9/2012	1	219	181	6/14/2018	3,900,918	2,640,000
Trapnell Road	Plant City, FL	9/12/2012	3	124	110	6/30/2017	3,862,689	2,522,250
38th Avenue	Covert, MI	4/5/2013	1	119	89	4/4/2020	1,255,879	835,331
Sequoia Street	Brooks, OR	5/31/2013	1	218	206	5/31/2028	3,091,791	1,931,041
Natividad Road	Salinas, CA	10/21/2013	1	166	166	10/31/2024	8,952,970	4,360,413
20th Avenue	South Haven, MI	11/5/2013	3	151	94	11/4/2018	1,851,986	1,245,832
Broadway Road	Moorpark, CA	12/16/2013	1	60	46	12/15/2023	2,875,864	1,868,748
Oregon Trail	Echo, OR	12/27/2013	1	1,895	1,640	12/31/2023	13,879,837	8,720,826
East Shelton	Willcox, AZ	12/27/2013	1	1,761	1,320	2/29/2024	7,778,747	4,173,538
Collins Road	Clatskanie, OR	5/30/2014	2	200	157	9/30/2024	2,368,937	1,681,874
Spring Valley	Watsonville, CA	6/13/2014	1	145	110	9/30/2022	5,746,921	3,675,205
McIntosh Road	Dover, FL	6/20/2014	2	94	78	6/30/2017 [3]	2,453,449	1,519,620
Naumann Road	Oxnard, CA	7/23/2014	1	68	66	7/31/2017	6,793,670	4,291,892
Sycamore Road	Arvin, CA	7/25/2014	1	326	322	10/31/2024	6,848,715	3,612,914
Wauchula Road	Duette, FL	9/29/2014	1	808	590	9/30/2024	13,581,735	7,536,338
Santa Clara Avenue	Oxnard, CA	10/29/2014	2	333	331	7/31/2017	24,170,815	15,572,904
Dufau Road	Oxnard, CA	11/4/2014	1	65	64	11/3/2017	6,031,400	3,675,000
Espinosa Road	Salinas, CA	1/5/2015	1	331	329	10/31/2016	16,358,539	10,178,000
Parrish Road	Duette, FL	3/10/2015	1	419	412	6/30/2025	4,188,751	2,374,680
Immokalee Exchange	Immokalee, FL	6/25/2015	2	2,678	1,644	6/30/2020	15,526,274	9,360,000
Holt County	Stuart, NE	8/20/2015	1	1,276	1,052	12/31/2018	5,441,699	3,301,000
Rock County	Bassett, NE	8/20/2015	1	1,283	1,049	12/31/2018	5,428,714	3,301,000
	Arvin, CA	9/3/2015	3	854	841	1/9/2031	26,094,518	9,979,735

Bear Mountain								
Corbitt Road	Immokalee, FL	11/2/2015	1	691	390	12/31/2021	3,777,909	3,714,880
Reagan Road	Willcox, AZ	12/22/2015	1	1,239	875	12/31/2025	5,678,064	3,723,000
Gunbarrel Road	Alamosa, CO	3/3/2016	3	6,191	4,730	2/28/2021	25,326,491	15,531,000
Calaveras Avenue	Coalinga, CA	4/5/2016	1	453	442	10/31/2025	15,401,510	9,282,000
			47	23,456	18,395		$268,725,765	$ 181,526,562

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

(2) Excludes approximately $1.1 million of deferred financing costs related to mortgage notes and bonds payable included in Mortgage notes and bonds payable, net on the accompanying Condensed Consolidated Balance Sheet.

(3) There are two leases in place on this property, one expiring on June 30, 2017, and the other expiring on June 30, 2019.

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Real Estate

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

	June 30, 2016	December 31, 2015
Real estate:		
Land and land improvements	$213,659,402	$192,020,381
Irrigation systems	30,615,816	21,849,508
Buildings	14,623,118	11,184,647
Horticulture	13,679,327	1,490,695
Other improvements	4,575,516	1,872,606
Real estate, at cost	277,153,179	228,417,837
Accumulated depreciation	(8,571,234)	(6,634,412)
Real estate, net	$268,581,945	$221,783,425

Real estate depreciation expense on these tangible assets was $1,136,838 and $1,936,822 for the three and six months ended June 30, 2016, respectively, and $539,125 and $1,051,639 for the three and six months ended June 30, 2015, respectively.

Included in the figures above are amounts related to improvements on certain of our properties paid for by our tenants but owned by us, or tenant improvements. As of June 30, 2016, and December 31, 2015, we recorded tenant improvements, net of accumulated depreciation, of $1,733,422 and $1,302,009, respectively. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of $30,753 and $61,537 during the three and six months ended June 30, 2016, respectively, and $10,825 and $9,021 for the three and six months ended June 30, 2015, respectively.

Intangible Assets and Liabilities

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

	June 30, 2016	December 31, 2015
Lease intangibles:		
In-place leases	$1,607,932	$1,225,955
Leasing costs	939,676	677,112
Tenant relationships	886,743	886,743
Lease intangibles, at cost	3,434,351	2,789,810
Accumulated amortization	(1,401,130)	(1,026,269)
Lease intangibles, net	$2,033,221	$1,763,541

Total amortization expense related to these lease intangible assets was $198,135 and $374,861 for the three and six months ended June 30, 2016, respectively, and $172,678 and $451,796 for the three and six months ended June 30, 2015, respectively.

The following table summarizes the carrying values of certain lease intangible assets or liabilities included in Other assets and Other liabilities, respectively, on the accompanying Condensed Consolidated Balance Sheets and the related accumulated amortization or accretion, respectively, as of June 30, 2016, and December 31, 2015.

	June 30, 2016		December 31, 2015	
Intangible Asset or Liability	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values[(1)]	$19,528	$ (10,795)	$19,528	$ (7,540)
Below-market lease values and deferred revenue[(2)]	(202,579)	37,867	(202,579)	23,205
	$(183,051)	$ 27,072	$(183,051)	$ 15,665

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

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

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Total amortization related to above-market lease values and deferred revenue was $1,627 and $3,255 for the three and six months ended June 30, 2016, respectively, and $5,395 and $10,790 for the three and six months ended June 30, 2015, respectively. Total accretion related to below-market lease values and deferred revenue was $7,331 and $14,662 for the three and six months ended June 30, 2016, respectively, and $52,590 and $107,733 for the three and six months ended June 30, 2015, respectively.

New Real Estate Activity

Certain acquisitions during the periods presented were accounted for as business combinations in accordance with ASC 805, as there was a prior leasing history on the property. As such, the fair value of all assets acquired and liabilities assumed were determined in accordance with ASC 805, and all acquisition-related costs were expensed as incurred, other than those costs that directly related to reviewing or assigning leases we assumed upon acquisition, which were capitalized as part of leasing costs. For acquisitions accounted for as asset acquisitions under ASC 360, all acquisition-related costs were capitalized and included as part of the fair value allocation of the identifiable tangible assets acquired, other than those costs that directly related to originating new leases we executed upon acquisition, which were capitalized as part of leasing costs.

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

2016 New Real Estate Activity

During the six months ended June 30, 2016, we acquired four new farms in two separate transactions, which are summarized in the table below.

Property Name	Property Location	Acquisition Date	Total Acreage	Number of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent[(1)]
Gunbarrel Road [(2)]	Alamosa, CO	3/3/2016	6,191	3	Organic Potatoes	5 years	1 (5 years)	$25,735,815	$93,585 [(3)]	$1,590,614
Calaveras Avenue	Coalinga, CA	4/5/2016	453	1	Pistachios	10 years	1 (5 years)	15,470,000	38,501 [(4)]	773,500 [(5)]
			6,644	4				$41,205,815	$132,086	$2,364,114

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

(2) As partial consideration for the acquisition of this property, we issued 745,879 OP Units, constituting an aggregate fair value of approximately $6.5 million as of the acquisition date.

(3) Acquisition accounted for as a business combination under ASC 805. As such, all acquisition-related costs were expensed as incurred, other than direct leasing costs, which were capitalized. In aggregate, we incurred $4,670 of direct leasing costs in connection with this acquisition.

(4) Acquisition accounted for as an asset acquisition under ASC 360. As such, all acquisition-related costs were capitalized and allocated among the identifiable assets acquired.

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

We determined the fair value of assets acquired and liabilities assumed related to the property acquired during the six months ended June 30, 2016, to be as follows:

Property Name	Land and Land Improvements	Buildings	Irrigation Systems	Other Improvements	Horticulture	In-place Leases	Leasing Costs	Total Purchase Price
Gunbarrel Road	$16,755,814	$3,438,291	$2,830,738	$2,079,102	$—	$381,977	$249,893	$25,735,815

Calaveras Avenue	3,615,436	—	424,112	—	11,430,452	—	—	15,470,000
	$ 20,371,250	$ 3,438,291	$ 3,254,850	$ 2,079,102	$ 11,430,452	$ 381,977	$ 249,893	$ 41,205,815

The allocation of the purchase price for the property acquired during the six months ended June 30, 2016, is preliminary and may change during the measurement period if we obtain new information regarding the assets acquired or liabilities assumed at the acquisition date.

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Below is a summary of the total operating revenues and earnings recognized on the property acquired during the three and six months ended June 30, 2016:

		For the three months ended June 30, 2016		For the six months ended June 30, 2016	
Property Name	Acquisition Date	Operating Revenues	Earnings[1]	Operating Revenues	Earnings[1]
Gunbarrel Road	3/3/2016	$397,654	$ 72,522	$521,653	$ 93,597
Calaveras Avenue	4/5/2016	183,865	76,565	183,865	76,565
		$581,519	$ 149,087	$705,518	$ 170,162

(1) Earnings are calculated as net income less interest expense and any acquisition-related costs that are required to be expensed if the acquisition is treated as a business combination under ASC 805.

2015 New Real Estate Activity

During the six months ended June 30, 2015, we acquired four new farms in three separate transactions, which are summarized in the table below.

Property Name	Property Location	Acquisition Date	Total Acreage	Number of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs		Annualized Straight-line Rent[1]
Espinosa Road[2]	Salinas, CA	1/5/2015	331	1	Strawberries	1.8 years	None	$16,905,500	$89,885	(3)	$778,342
Parrish Road	Duette, FL	3/10/2015	419	1	Strawberries	10.3 years	2 (5 years)	3,913,280	103,610	(3)	251,832
Immokalee Exchange	Immokalee, FL	6/25/2015	2,678	2	Misc. Vegetables	5.0 years	2 (5 years)	15,757,700	152,571	(3)	960,104
			3,428	4				$36,576,480	$346,066		$1,990,278

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

(2) In connection with this acquisition, our Adviser earned a finder's fee of $320,905, which the Adviser fully credited back to us during the six months ended June 30, 2015. See Note 5, "Related-Party Transactions" for further discussion on this fee.

(3) Acquisition accounted for as a business combination under ASC 805. As such, all acquisition-related costs were expensed as incurred, other than direct leasing costs, which were capitalized. In aggregate, we incurred $7,225 of direct leasing costs in connection with these acquisitions.

We determined the fair value of assets acquired and liabilities assumed related to the properties acquired during the six months ended June 30, 2015, to be as follows:

Property Name	Land and Land Improvements	Buildings and Improvements	Irrigation System	In-place Leases	Leasing Costs	Tenant Relationships	Total Purchase Price
Espinosa Road	$ 15,852,466	$ 84,478	$497,401	$246,472	$43,894	$ 180,789	$16,905,500
Parrish Road	2,403,064	42,619	1,299,851	54,405	77,449	35,892	3,913,280
Immokalee Exchange	14,410,840	273,107	515,879	229,406	148,691	179,777	15,757,700
	$ 32,666,370	$ 400,204	$2,313,131	$530,283	$270,034	$ 396,458	$36,576,480

Below is a summary of the total operating revenues and earnings recognized on the properties acquired during the three and six months ended June 30, 2015:

		For the three months ended June 30, 2015		For the six months ended June 30, 2015	
Property Name	Acquisition Date	Operating Revenues	Earnings[1]	Operating Revenues	Earnings[1]

Espinosa Road	1/5/2015	$194,585	$101,813	$380,802	$198,871
Parrish Road	3/10/2015	62,958	21,770	77,174	28,949
Immokalee Exchange	6/25/2015	—	(1,223)	—	(1,223)
		$257,543	$122,360	$457,976	$226,597

(1) Earnings are calculated as net income less interest expense and any acquisition-related costs that are required to be expensed if the acquisition is treated as a business combination under ASC 805.

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Acquired Intangibles and Liabilities

The following table shows the weighted-average amortization period, in years, for the intangible assets acquired and liabilities assumed in connection with new real estate acquired as part of business combinations during the six months ended June 30, 2016 and 2015:

	Weighted-Average Amortization Period (in Years)	
Intangible Assets and Liabilities	2016	2015
In-place leases	5.1	4.1
Leasing costs	5.1	6.1
Tenant relationships	—	9.5
All intangible assets and liabilities	5.1	6.3

Pro-Forma Financials

During the six months ended June 30, 2016 and 2015, we acquired three farms and four farms, respectively, in transactions that qualified as business combinations. The following table reflects pro-forma consolidated financial information as if each farm acquired as part of a business combination was acquired on January 1 of the respective prior fiscal year. In addition, pro-forma earnings have been adjusted to assume that acquisition-related costs related to these farms were incurred at the beginning of the previous fiscal year.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Operating Data:				
Total operating revenue	$4,244,441	$2,834,979	$7,927,117	$5,629,607
Net income attributable to the company	$92,512	$(293,259)	$101,372	$517,789
Share and Per-share Data:				
Earnings per share of common stock – basic and diluted	$0.01	$(0.03)	$0.01	$0.06
Weighted-average common shares outstanding – basic and diluted	9,992,941	9,060,314	9,992,941	9,060,314

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

Significant Existing Real Estate Activity

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

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

On April 5, 2016, we reimbursed the tenant occupying Wauchula Road for $569,607 of costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, beginning with the three months ending June 30, 2016, we will earn an additional $92,634 of annualized, straight-line rental income on this farm throughout the remaining lease term.

On April 5, 2016, we reimbursed the tenant occupying Parrish Road for $500,000 of our portion of the costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, beginning with the three months ending June 30, 2016, we will earn an additional $139,073 of annualized, straight-line rental income on this farm throughout the remaining lease term. In addition, in connection with our acquisition of Parrish Road in March 2015, we committed to providing $745,000

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as additional compensation and reimbursements of certain costs, contingent upon the approval by a local water management district of increases in certain water permits on the property. These water permits were approved on June 28, 2016, and we remitted $745,000 to the tenant, who was also the seller of the property, on June 30, 2016.

Portfolio Diversification and Concentrations

Diversification

The following table summarizes the geographic locations, by state, of our properties with leases in place as of June 30, 2016 and 2015:

	As of and For the Six Months Ended June 30, 2016					As of and For the Six Months Ended June 30, 2015				
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	19	4,029	17.2 %	$4,502,644	56.8 %	15	2,722	23.7 %	$3,712,894	68.7 %
Florida	13	5,094	21.7 %	1,539,217	19.4 %	12	4,401	38.4 %	820,834	15.2 %
Oregon	4	2,313	9.9 %	584,962	7.4 %	4	2,313	20.2 %	583,763	10.8 %
Colorado	3	6,191	26.4 %	521,653	6.6 %	—	—	— %	—	— %
Arizona	2	3,000	12.8 %	358,051	4.5 %	1	1,761	15.4 %	161,935	3.0 %
Nebraska	2	2,559	10.9 %	289,815	3.7 %	—	—	— %	—	— %
Michigan	4	270	1.1 %	124,743	1.6 %	4	270	2.3 %	123,357	2.3 %
	47	23,456	100.0%	$7,921,085	100.0 %	36	11,467	100.0%	$5,402,783	100.0 %

Concentrations

Credit Risk

As of June 30, 2016, our farms were leased to 35 different, third-party tenants, with certain tenants leasing more than one farm. Dole Food Company ("Dole") leases two of our farms, and aggregate rental revenue attributable to Dole accounted for approximately $1.5 million, or 18.6% of the rental revenue recorded during the six months ended June 30, 2016. If Dole fails to make rental payments or elects to terminate its leases, and the properties cannot be re-leased on satisfactory terms, there could be a material adverse effect on our financial performance and ability to continue operations. No other individual tenant represented greater than 10.0% of the total rental revenue recorded during the six months ended June 30, 2016.

Geographic Risk

19 of our 47 farms owned as of June 30, 2016, are located in California, and 13 farms are located in Florida. As of June 30, 2016, our farmland in California accounted for 4,029 acres, or 17.2% of the total acreage we owned. Furthermore, these farms accounted for approximately $4.5 million, or 56.8% of the rental revenue recorded during the six months ended June 30, 2016. However, these farms are spread across three of the many different growing regions within California. As of June 30, 2016, our farmland in Florida accounted for 5,094 acres, or 21.7% of the total acreage we owned, and these farms accounted for approximately $1.5 million, or 19.4%, of the rental revenue recorded during the six months ended June 30, 2016. Though we seek to continue to further diversify geographically, as may be desirable or feasible, should an unexpected natural disaster occur where our properties are located, there could be a material adverse effect on our financial performance and ability to continue operations. No other single state accounted for more than 10.0% of the total rental revenue recorded during the six months ended June 30, 2016.

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NOTE 4. BORROWINGS

Our borrowings as of June 30, 2016, and December 31, 2015, are summarized below:

					As of June 30, 2016			As of Decemb
Issuer	Type of Issuance	Date(s) of Issuance	Initial Commitment	Maturity Date(s)	Principal Outstanding	Stated Interest Rate[(1)]	Undrawn Commitment	Principal Outstanding
MetLife	Mortgage Note Payable	5/9/2014	100,000,000	1/5/2029 [(2)]	$87,470,194	3.35%	12,529,806[(3)]	$87,470,194
MetLife	Line of Credit	5/9/2014	25,000,000	4/5/2024	14,500,000	2.88%	10,500,000[(3)]	100,000
Farm Credit[(4)]	Mortgage Notes Payable	9/19/2014 – 4/4/2016	31,467,880	10/1/2016 – 11/1/2040	30,487,368	3.45% [(5)]	—	21,456,963
Farmer Mac	Bonds Payable	12/11/2014 – 3/3/2016	125,000,000	12/22/2016 – 2/24/2023 [(6)]	49,069,000	2.93%	75,763,000[(7)]	33,706,000
Total outstanding principal					181,526,562			142,733,157
Debt issuance costs					(1,052,886)			(1,054,222)
Total mortgage notes and bonds payable, net					$180,473,676			$141,678,935

(1) Where applicable, represents the weighted-average, blended rate on the respective borrowing facilities as of each June 30, 2016, and December 31, 2015.

(2) If facility is not fully utilized by December 31, 2017, MetLife has the option to be relieved of its obligations to disburse the additional funds under the loan.

(3) Based on the properties that were pledged as collateral under the MetLife Facility, as of June 30, 2016, the maximum additional amount we could draw under the facility was approximately $7.1 million.

(4) Includes borrowings from Farm Credit CFL and Farm Credit West, each as defined below.

(5) Rate is before interest patronage. 2015 interest patronage (as described below) received resulted in a 16.1% reduction to the stated interest rate on such borrowings.

(6) If 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.

(7) At each of June 30, 2016, there was no additional availability to draw under this facility, as no additional properties had been pledged as collateral.

The weighted-average interest rate charged on all of our borrowings, excluding the impact of deferred financing costs and before any interest patronage, or refunded interest, was 3.25% and 3.27% for the three and six months ended June 30, 2016, respectively, and 3.57% and 3.56% for the three and six months ended June 30, 2015, respectively. 2015 interest patronage from all Farm Credit Notes Payable (as defined below), which patronage was received during the three months ended March 31, 2016, resulted in a 16.1% reduction to the stated interest rates on such borrowings. We are unable to estimate the amount of patronage to be received, if any, related to interest accrued during 2016 on our Farm Credit Notes Payable.

MetLife Facility

On May 9, 2014, we closed on a facility with Metropolitan Life Insurance Company ("MetLife") that consists of a $100.0 million long-term note payable that is scheduled to mature on January 5, 2029 (the "MetLife Note Payable"), and a $25.0 million revolving equity line of credit that is scheduled to mature on April 5, 2024 (the "MetLife Line of Credit" and, together with the MetLife Note Payable, the "MetLife Facility"). As amended on September 3, 2015, advances under the MetLife Note Payable bear interest at a fixed rate of 3.35% per annum, plus an unused line fee of 0.20% on undrawn amounts, and interest rates for subsequent disbursements will be based on prevailing market rates at the time of such disbursements. The interest rates on advances and subsequent disbursements will be subject to adjustment every five years. If the full commitment amount of $100.0 million is not drawn by December 31, 2017, MetLife has the option to be relieved of its obligation to disburse the additional funds under this loan. Advances under the MetLife Line of Credit bear interest at a variable rate equal to the three-month LIBOR plus a spread of 2.25%, with a minimum annualized rate of 2.50%, plus an unused fee of 0.20% on undrawn amounts. The interest rate spread on borrowings under the MetLife Line of Credit will be subject to adjustment on April 5, 2017. As of June 30, 2016, we were in compliance with all covenants under the facility.

Farm Credit Notes Payable

Farm Credit CFL Notes Payable

From time to time since September 19, 2014, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements with Farm Credit of Central Florida, FLCA ("Farm Credit CFL"). As of June 30, 2016, we have approximately $21.2 million of aggregate borrowings outstanding to Farm Credit CFL that bear interest (before interest patronage) at a weighted-average rate of 3.42% per annum. 2015 interest patronage from Farm Credit CFL borrowings resulted in a 16.1% reduction to the stated interest rates on such borrowings. As of June 30, 2016, we were in compliance with all covenants applicable to these borrowings.

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Farm Credit West Note Payable

On April 4, 2016, in connection with the acquisition of Calaveras Avenue on April 5, 2016, we, through a subsidiary of our Operating Partnership, closed on a loan from Farm Credit West, FLCA ("Farm Credit West"), for approximately $9.3 million. The mortgage note is scheduled to mature on November 1, 2040, and will bear interest (before interest patronage) at a fixed rate of 3.54% per annum through April 30, 2021, thereafter converting to a variable rate to be determined by Farm Credit West unless another fixed rate is established.

As of June 30, 2016, we have approximately $9.3 million of aggregate borrowings outstanding to Farm Credit West that bear interest (before interest patronage) at a rate of 3.54% per annum, and we were in compliance with all covenants applicable to these borrowings.

Farmer Mac Facility

On December 5, 2014, we, through certain subsidiaries of our Operating Partnership, entered into a bond purchase agreement (the “Bond Purchase Agreement”) with Federal Agricultural Mortgage Corporation (“Farmer Mac”) and Farmer Mac Mortgage Securities Corporation (the “Bond Purchaser”), for a secured note purchase facility that provides for bond issuances up to an aggregate principal amount of $75.0 million (the “Farmer Mac Facility”). On June 16, 2016, we entered into an amendment to increase the maximum borrowing capacity under the Farmer Mac Facility from $75.0 million to $125.0 million and extend the term of the Bond Purchase Agreement by two years, to December 11, 2018.

On March 3, 2016, in connection with the acquisition of Gunbarrel Road, we completed the issuances of two bonds under the Farmer Mac Facility: (i) an $11.1 million, seven-year, interest-only bond with a fixed interest rate of 3.08% throughout its term, and (ii) a $4.4 million, seven-year, amortizing bond with a fixed interest rate of 2.98% throughout its term.

As of June 30, 2016, we were in compliance with all covenants under the facility.

Debt Service – Aggregate Maturities

Scheduled principal payments of our aggregate mortgage notes and bonds payable as of June 30, 2016, for the succeeding years are as follows:

Period		Scheduled Principal Payments
For the remaining six months ending December 31:	2016	$4,360,136
For the fiscal years ending December 31:	2017	4,399,175
	2018	20,399,431
	2019	8,021,734
	2020	17,710,108
	Thereafter	112,135,978
		$167,026,562

Fair Value

As of June 30, 2016, the aggregate fair value of our long-term, fixed-rate mortgage notes and bonds payable was approximately $168.8 million, as compared to an aggregate carrying value of $165.0 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, “Fair Value Measurements and Disclosures,” 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. Due to their short-term nature and the lack of changes in market credit spreads, the aggregate fair value of our short-term, variable-rate mortgage notes and bonds payable as of June 30, 2016, is deemed to approximate their aggregate carrying value of approximately $2.0 million. Further, due to the revolving nature of the MetLife Line of Credit and the lack of changes in market credit spreads, its fair value as of June 30, 2016, is deemed to approximate its carrying value of $14.5 million.

NOTE 5. RELATED-PARTY TRANSACTIONS

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits and general expenses directly. Both our

Adviser and Administrator

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are affiliates of ours, as their parent company is owned and controlled by Mr. David Gladstone, our chairman and chief executive officer. In addition, two of our executive officers, Mr. Gladstone and Mr. Terry Brubaker (our vice chairman and chief operating officer), serve as directors and executive officers of each of our Adviser and Administrator. Mr. Michael LiCalsi, our general counsel and secretary, serves as our Administrator's president.
The current advisory agreement with our Adviser (the "Advisory Agreement") and the current administration agreement with our Administrator (the "Administration Agreement") became effective February 1, 2013. A summary of each of these agreements is provided in Note 4 to our consolidated financial statements included in our Form 10-K. There were no material changes to either agreement during the six months ended June 30, 2016.
The following table summarizes the management fees, incentive fees and associated credits and the administration fees reflected in our accompanying Condensed Consolidated Statements of Operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Management fee[1][2]	$385,586	$328,392	$772,740	$624,140
Incentive fee[1][2]	158,877	—	158,877	—
Credits from voluntary, irrevocable waiver by Adviser's board of directors[2][3]	—	—	—	(320,905)
Net fees due to our Adviser	$544,463	$328,392	$931,617	$303,235
Administration fee[1][2]	$179,377	$177,852	$391,237	$308,788

(1) Pursuant to the Advisory and Administration Agreements, accordingly, each of which became effective on February 1, 2013.
(2) Reflected as a line item on our accompanying Condensed Consolidated Statements of Operations.
(3) The credit received from our Adviser for the three months ended March 31, 2015, was attributable to a finder's fee earned by our Adviser in connection with a farm we acquired during the three months ended March 31, 2015, which fee was granted to us as a one-time, voluntary and irrevocable waiver to be applied against the fees we pay to our Adviser.

Related-Party Fees Due

Amounts due to related parties on our accompanying Condensed Consolidated Balance Sheets as of June 30, 2016, and December 31, 2015, were as follows:

	June 30, 2016	December 31, 2015
Management fee due to Adviser	$385,586	$362,373
Incentive fee due to Adviser	158,877	—
Other due to Adviser[1]	12,281	13,140
Total due to Adviser	556,744	375,513
Administration fee due to Administrator	179,377	190,080
Total due to Administrator	179,377	190,080
Total due to related parties[2]	$736,121	$565,593

(1) Other fees due to related parties primarily relate to miscellaneous general and administrative expenses paid by our Adviser or Administrator on our behalf.
(2) Reflected as a line item on our accompanying Condensed Consolidated Balance Sheets.

NOTE 6. EQUITY

Stockholders' Equity

As of each June 30, 2016, and December 31, 2015, there were 20,000,000 shares of common stock, par value $0.001 per share, authorized and 9,992,941 shares issued and outstanding.

Non-Controlling Interests in Operating Partnership

We consolidate our Operating Partnership, which is a majority-owned partnership. As of June 30, 2016, and December 31, 2015, we owned approximately 93.1% and 100.0%, 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

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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.

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

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

As of June 30, 2016, there were 745,879 OP Units held by non-controlling limited partners.

Distributions

The distributions to common stockholders declared by our Board of Directors and paid by us during the six months ended June 30, 2016 and 2015 are reflected in the table below.

Fiscal Year	Declaration Date	Record Date	Payment Date	Distributions per Common Share
2016	January 12, 2016	January 22, 2016	February 2, 2016	$ 0.04000
	January 12, 2016	February 18, 2016	February 29, 2016	0.04000
	January 12, 2016	March 21, 2016	March 31, 2016	0.04000
	April 12, 2016	April 22, 2016	May 2, 2016	0.04125
	April 12, 2016	May 19, 2016	May 31, 2016	0.04125
	April 12, 2016	June 17, 2016	June 30, 2016	0.04125
		Six Months Ended June 30, 2016		$ 0.24375
2015	January 13, 2015	January 23, 2015	February 3, 2015	$ 0.03500
	January 13, 2015	February 18, 2015	February 27, 2015	0.03500
	January 13, 2015	March 20, 2015	March 31, 2015	0.03500
	April 14, 2015	April 24, 2015	May 4, 2015	0.04000
	April 14, 2015	May 19, 2015	May 28, 2015	0.04000
	April 14, 2015	June 19, 2015	June 30, 2015	0.04000
		Six Months Ended June 30, 2015		$ 0.22500

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

We will provide information related to the federal income tax characterization of our 2016 distributions in an IRS Form 1099-DIV, which will be mailed to our stockholders in January 2017.

Registration Statement

We filed a universal registration statement on Form S-3 (File No. 333-194539) with the SEC on March 13, 2014, which the SEC declared effective on April 2, 2014. This universal registration statement permits us to issue up to an aggregate of $300.0 million in securities, consisting of common stock, senior common stock, preferred stock, subscription rights, debt securities and depository shares, including through separate, concurrent offerings of two or more of such securities. As of June 30, 2016, we have issued 2,156,080 shares of common stock for gross proceeds of $23.3 million under this universal registration statement. Additionally, subsequent to June 30, 2016, we sold $31,934 shares of our common stock under the ATM Program (as defined below, under "At-the-Market Program") pursuant to this universal registration statement.

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At-the-Market Program

On August 7, 2015, we entered into equity distribution 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 up to $30.0 million (the “ATM Program”). During the six months ended June 30, 2016, no shares were issued or sold under the ATM Program. Through June 30, 2016, we have issued and sold 32,627 shares of our common stock at an average sales price of $9.19 per share for gross proceeds of approximately $300,000 and net proceeds of $295,000. See Note 9, "Subsequent Events," for discussion on shares sold under the ATM Program subsequent to June 30, 2016.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Operating Obligations

Upon acquiring Espinosa Road in January 2015, we assumed an eminent domain lawsuit brought by the California Department of Transportation (“CalTrans”) against the previous owner of the property for approximately 4.5 acres of nonfarmable land. CalTrans had offered $160,000 to the previous owner as payment for the 4.5 acres; however, this offer was rejected by the previous owner. Upon acquiring the property, we informed CalTrans of our intention to accept this offer of $160,000 as fair compensation for the 4.5 nonfarmable acres. On May 3, 2016, the matter was settled in our favor, and on July 5, 2016, we received the $160,000 payment from CalTrans. See Note 9, "Subsequent Events" for further discussion on this settlement.

In connection with the lease we executed upon our acquisition of Bear Mountain in September 2015, we agreed to fund the development of the property into an almond orchard. The development will include the removal of 274 acres of old grape vineyards, the installation of a new irrigation system, including the drilling of three new wells, and the planting of over 800 acres of new almond trees. The project is estimated to cost approximately $7.8 million and is expected to be completed during the three months ending September 30, 2016. As stipulated in the lease, we will earn additional rent on the total cost of the development project commensurate with the yield on the initial acquisition and based on the timing of related cash disbursement made by us. As of June 30, 2016, we have expended or accrued approximately $7.1 million related to this project; however, we are unable to estimate the total amount of additional rent to be earned related to this project at this time.

Litigation

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

NOTE 8. EARNINGS (LOSS) PER SHARE OF COMMON STOCK

The following table sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2016 and 2015, computed using the weighted average number of shares outstanding during the respective periods. The non-controlling limited partners’ outstanding OP Units (which may be redeemed for shares of common stock) have been excluded from the diluted earnings per share calculation, as there would be no effect on the amounts since the non-controlling limited partners’ share of income would also be added back to net income. Net income figures are presented net of non-controlling interests in the earnings per share calculations.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss) attributable to the Company	$107,813	$(30,289)	$342,229	$(5,715)
Weighted average number of common shares outstanding – basic and diluted	9,992,941	8,439,855	9,992,941	8,098,681
Earnings (loss) per common share – basic and diluted	$0.01	$0.00	$0.03	$0.00

For the three and six months ended June 30, 2016, the weighted-average number of OP Units held by non-controlling limited partners was 745,879 and 491,788, respectively. There were no OP Units held by anyone other than the Company during 2015.

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NOTE 9. SUBSEQUENT EVENTS

Investing and Financing Activity

On July 1, 2016, we acquired one farm in St. Lucie County, Florida ("Orange Avenue"), for approximately $5.1 million. The property is comprised of 401 acres of farmland and will be farmed for miscellaneous vegetables. At closing, we executed a new seven-year, partial-net lease with a new tenant that includes two, seven-year extension options. The lease provides for minimum annualized, straight-line rents of approximately $291,000. We will account for this acquisition as an asset acquisition in accordance with ASC 360.

In connection with the acquisition of Orange Avenue, on July 1, 2016, we closed on a loan from Farm Credit CFL for approximately $3.1 million. The mortgage note is scheduled to mature on June 1, 2023, and will bear interest (before interest patronage) at a fixed rate of 3.78% per annum throughout its term.

CalTrans Settlement

On July 5, 2016, we received payment of approximately $164,000 (including $4,000 of accrued interest) from CalTrans in connection with the settlement of an eminent domain lawsuit for 4.5 acres of nonfarmable land on Espinosa Road. As cash settlement did not occur until after June 30, 2016, the portion of this payment allocated to our cost basis of the 4.5 nonfarmable acres, which was approximately $156,000, is included in Investments in real estate, net on our Condensed Consolidated Balance Sheet as of June 30, 2016.

ATM Program

Subsequent to June 30, 2016, through the date of this filing, we have sold 31,934 shares of our common stock at an average sales price of $11.29 per share under the ATM Program for gross proceeds of approximately $360,000 and net proceeds of approximately $355,000.

Distributions

On July 12, 2016, our Board of Directors declared the following monthly cash distributions to common stockholders:

Record Date	Payment Date	Distribution per Common Share
July 22, 2016	August 2, 2016	$ 0.04125
August 22, 2016	August 31, 2016	0.04125
September 21, 2016	September 30, 2016	0.04125
Total:		$ 0.12375

The same amounts 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 and include, but are not limited to:

- Changes in our industry, interest rates or the general economy;
- Natural disasters or climactic changes impacting the regions in which our tenants operate;
- The degree and nature of our competition;
- Failure to maintain our qualification as a REIT;
- Changes in our business strategy; and
- Loss of our key personnel.

For further information about these and other factors that could affect our future results, please see the caption titled "Risk Factors" in our Annual Report on Form 10-K (the "Form 10-K") for the year ended December 31, 2015, which we filed with the Securities and Exchange Commission (the "SEC") on February 23, 2016. 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 real estate investment trust ("REIT") that is engaged primarily in the business of owning and leasing farmland; we are not a grower, nor do we farm the properties we own. We currently own 48 farms comprised of 23,857 acres across seven states in the U.S. (Arizona, California, Colorado, Florida, Michigan, Nebraska and Oregon). We also own several farm-related facilities, such as cooling facilities, box barns, packinghouses, processing facilities and various storage facilities. These farms and facilities are leased to 35 different, unrelated tenants that are either independent or corporate farming operations. We intend to acquire more farmland in these and other states in our regions of focus that is already or will be leased to farmers, and we expect that most of our future tenants will also be independent or corporate farming operations that are unrelated to us. We also expect to acquire more property related to farming, such as cooling facilities, freezer buildings, packinghouses, box barns, silos, storage facilities, greenhouses, processing plants and distribution centers. We generally lease our properties on a triple-net basis, an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs (including drought insurance if we were to acquire properties that depend upon rainwater for irrigation), maintenance and other operating costs. We may also elect to sell farmland at certain times, such as when the land could be developed by others for urban or suburban uses.

We were incorporated in 1997, primarily for the purpose of operating strawberry farms through our former subsidiary, Coastal Berry Company, LLC ("Coastal Berry"), an entity that provided growing, packaging, marketing and distribution of fresh berries and other agricultural products. We operated Coastal Berry as our primary business until 2004, when it was sold to Dole Food Company ("Dole"). Since 2004, our operations have consisted of leasing our farms to third-party tenants. We do not currently intend to enter into the business of growing, packing or marketing farmed products;

however, if we do so in the future, we expect that it would be through a taxable REIT subsidiary (“TRS”).
We conduct substantially all of our investment activities through, and all of our properties are held, directly or indirectly, by, Gladstone Land Limited Partnership (the “Operating Partnership”). Gladstone Land Corporation controls the Operating

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Partnership as its sole general partner and currently owns approximately 93.1% of the units of limited partnership interest in the Operating Partnership ("OP Units").

We intend to continue to lease our farms and farm-related facilities to independent or corporate farming operations that sell their products through national corporate marketers-distributors. We expect to continue to earn rental and interest income from our investments.

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

Leases

General

Most of our agricultural leases are on a triple-net basis and have original terms ranging from 3 to 10 years for farms growing row crops and 5 to 15 years for farms growing permanent crops, often with options to extend the lease further. Rent is generally payable to us up front on either an annual or semi-annual basis. Further, most of our leases contain provisions that provide for annual increases in the rental amounts payable by the tenants, often referred to as escalation clauses. The escalation clauses may specify fixed dollar amount or percentage increases each year, or it may be variable, based on standard cost of living or inflation indices. In addition, some leases that are longer-term in nature may require a regular survey of comparable land rents, with the rent owed per the lease being adjusted to reflect then-current market rents. We also have leases that include variable rents based on the success of the harvest each year. In these types of agreements, we will generally require the lease to include the guarantee of a minimum amount of rental income that satisfies our investment return criteria. Currently, our 48 farms are leased under agricultural leases with original terms ranging from 3 to 15 years, with 31 farms leased on a pure triple-net basis, and 17 farms leased on a partial-net basis, with the landlord responsible for all or a portion of the related property taxes. Additionally, four of our farms are leased under agreements that include a variable rent component.

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

Lease Expirations

Farm leases are often short-term in nature, so in any given year, we may have multiple leases up for renewal or extension. As of January 1, 2016, we had two agricultural leases that were originally due to expire in 2016. We have renewed one of these leases for an additional three years at an annualized, straight-line rental rate representing an increase of 17.9% over that of the previous lease. This lease was renewed prior to its expiration and with the existing tenant, thus incurring no downtime on the farm.

We have one remaining agricultural lease due to expire in 2016. We have begun negotiations with the existing tenant on the farm, and we anticipate renewing the lease prior to its expiration. Further, given the current market conditions in the region where the farm is located, we expect to be able to renew the lease at a higher rental rate than that of the existing lease. However, there can be no assurance that we will be able to renew the lease at a rate favorable to us, if at all, or be able to find a replacement tenant, if necessary.

The following table summarizes the lease expirations by year for our properties with leases in place as of June 30, 2016:

Year	Number of Expiring Leases	Expiring Leased Acreage	% of Total Acreage	Rental Revenue for the Six Months Ended June 30, 2016	% of Total Rental Revenue
2016	3 [(1)]	331	1.4%	$ 405,203	5.1%
2017	8	647	2.8%	1,088,380	13.7%
2018	5	2,929	12.4%	469,870	5.9%
2019	1	37	0.2%	30,218	0.4%
2020	6	3,890	16.6%	2,128,649	26.9%

2021	3	6,882	29.3%	647,505	8.2%
Thereafter	15	8,740	37.3%	3,151,260	39.8%
Totals	41	23,456	100.0%	$ 7,921,085	100.0%

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(1) Includes: (i) the agricultural lease mentioned above, (ii) a surface area lease on a portion of one property leased to an oil company that is renewed on a year-to-year basis, for which we recorded $16,032 of rental revenue during the six months ended June 30, 2016, and (iii) a residential lease on one of our properties that is not expected to be renewed upon its expiration in 2016 and for which no rental revenue was recorded during the six months ended June 30, 2016.

Recent Developments

Investment, Leasing and Other Portfolio Activity

Property Acquisitions

Since April 1, 2016, we have acquired two farms in two separate transactions, which are summarized in the table below: