

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)



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

For the fiscal year ended **December 31, 2015**

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 **001-36405**

FARMLAND PARTNERS INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

46-3769850

(IRS Employer
Identification No.)

4600 South Syracuse Street, Suite 1450

Denver , Colorado

(Address of Principal Executive Offices)

80237

(Zip Code)

Registrant's Telephone Number, Including Area Code **(720) 452-3100**
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, \$0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

As of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$ 88,714,976, based on the closing sales price of \$11.90 per share as reported on the NYSE MKT. (For purposes of this calculation all of the registrant's directors and executive officers are deemed affiliates of the registrant.)

As of March 10, 2016 the registrant had 11,977,279 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's Definitive Proxy Statement relating to its 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this report. The registrant expects to file its Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after December 31, 2015.

FARMLAND PARTNERS INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this Annual Report on Form 10-K that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements include, without limitation, statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, crop yields and prices and future rental rates for our properties, as well as statements of management’s goals and objectives and other similar expressions concerning matters that are not historical facts. When we use the words “may,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” or similar expressions or their negatives, as well as statements in future tense, we intend to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, beliefs and expectations, such forward-looking statements are not predictions of future events or guarantees of future performance and our actual results could differ materially from those set forth in the forward-looking statements. Some factors that might cause such a difference include the following: general volatility of the capital markets and the market price of our common stock, changes in our business strategy, availability, terms and deployment of capital, our ability to refinance existing indebtedness at or prior to maturity on favorable terms, or at all, availability of qualified personnel, changes in our industry, interest rates or the general economy, the degree and nature of our competition, our ability to identify new acquisitions and close on pending acquisitions, and the other factors described in the risk factors included in Item 1A herein and in other documents that we file from time to time with the Securities and Exchange Commission (the “SEC”). Given these uncertainties, undue reliance should not be placed on such statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by law.

PART I**Item 1. Business.****Our Company**

References to “we,” “our,” “us” and “our company” refer to Farmland Partners, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Farmland Partners Operating Partnership, L.P., a Delaware limited partnership (the “Operating Partnership”), of which we are the sole member of the sole general partner.

We are an internally managed real estate company incorporated in Maryland that owns and seeks to acquire high-quality farmland located in agricultural markets throughout North America. As of the date of this Annual Report, the majority of the acres in our portfolio are used to grow primary crops, such as corn, soybeans, wheat, rice and cotton, while some of our farms produce specialty crops, such as blueberries, vegetables and edible beans. However, over the long term, we expect that our farmland portfolio will be comprised of approximately 80% primary crop farmland and 20% specialty crop farmland, which we believe will give investors exposure to the increasing global food demand trend in the face of growing scarcity of high quality farmland and will reflect the approximate breakdown of U.S. agricultural output between primary crops and animal protein (whose production relies principally on primary crops as feed), on one hand, and specialty crops, on the other. In addition, in August 2015, the Company announced the launch of the FPI Loan Program, an agricultural lending product aimed at farmers, as a complement to the Company's primary business of acquiring and owning farmland and leasing it to farmers. Under the FPI Loan Program, we intend to make loans to third-party farmers (both tenant and non-tenant) to provide partial financing for working capital requirements and operational farming activities, farming infrastructure projects, and for other farming and agricultural real estate related purposes.

We were incorporated in Maryland on September 27, 2013, and we are the sole member of the general partner of the Operating Partnership, which is a Delaware limited partnership that was formed on September 27, 2013. All of our assets are held by, and our operations are primarily conducted through, the Operating Partnership and its wholly owned subsidiaries. As of the date of this Annual Report we own 63.8% of the common units of limited partnership interest in the Operating Partnership (“OP units”) and none of the preferred units of limited partnership interest in the Operating Partnership (“Preferred Units”). See Note 9 to our combined consolidated financial statements for additional information regarding the Preferred Units.

As of the date of this Annual Report, we owned 253 farms with approximately 99,572 total acres and eight grain storage facilities. The distribution of farms by state is as follows:

Location of Farm	# of Farms	Total Acres
Illinois	155	28,158
Nebraska	29	5,859
Colorado	27	20,282
Arkansas	10	10,415
South Carolina	9	9,925
North Carolina	6	11,086
Georgia	5	2,183
Mississippi	4	4,303
Louisiana	2	1,973
Kansas	2	1,642
Michigan	2	446
Texas	1	2,056
Virginia	1	1,244
	<u>253</u>	<u>99,572</u>

We intend to continue to acquire additional farmland to achieve scale in and further diversify our portfolio by geography and crop type. During 2015, we continued our geographic diversification with acquisitions in four new states, and began our diversification into specialty crops with the acquisition of a blueberry farm. Also during 2015, we entered into lease options on three of our farms for solar and wind production and commenced the FPI Loan Program whereby we make loans secured by mortgages on farmland. We also may acquire, and make loans secured by mortgages on, properties related to farming, such as grain storage facilities, grain elevators, feedlots, processing plants and distribution centers, as well as livestock farms or ranches. In addition, we engage directly in farming through FPI Agribusiness Inc., our taxable REIT subsidiary (the “TRS” or “FPI Agribusiness”), whereby we operate a small number acres (approximately 563 acres as of December 31, 2015) relying on custom farming contracts with local farm operators.

Our principal source of revenue is rent from tenants that conduct farming operations on our farmland. The majority of the leases that are in place as of the date of this Annual Report have fixed annual rental payments. Some of our leases have variable rents based on the revenue generated by our farm-operator tenants. We believe that this mix of fixed and variable rents will help insulate us from the variability of farming operations and reduce our credit-risk exposure to farm-operator tenants, while making us an attractive landlord in certain regions where variable leases are customary. However, we may be exposed to tenant credit risk and farming operation risks, particularly with respect to leases that do not require advance payment of 100% of the annual rent, leases for which the rent is based on a percentage of a tenant's farming revenues and leases with terms greater than one year.

We elected and qualified to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes commencing with our short taxable year ended December 31, 2014.

Full Year 2015 and Recent Highlights

During 2015, the Company:

- Closed on \$143.4 million of farm acquisitions totaling 27,782 acres;
- Grew adjusted funds from operation (“AFFO”) 345%, from \$1.3 million in 2014 to \$5.7 million;
- Reported net income of \$1.7 million;
- Made its first investments in specialty crop farmland;
- Acquired farmland in four additional states;
- Completed an underwritten public offering totaling 3,360,000 shares at a price per share of \$11.00, generating net proceeds of \$34.6 million; and
- Transferred the listing of its common stock from the NYSE MKT to the New York Stock Exchange (the “NYSE”).

To date in 2016, the Company has closed on \$206.9 million of farm acquisitions totaling 25,305 acres, including a \$197.0 million acquisition of approximately 22,128 acres in Illinois.

For a definition of AFFO and a reconciliation of net income to AFFO, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures.”

Our Competitive Strengths

We believe the following competitive strengths distinguish us from many of our competitors:

- **High-Quality Portfolio of Farmland.** As of the date of this Annual Report, we owned 253 farms generally well located near large navigable river and railway systems and in agricultural markets that we believe are characterized by high demand for and limited available supply of farmland. Crops produced on our farms address the vast majority of the spectrum of worldwide demand for food, feed, fuel and fiber.
- **Management Team with Extensive Experience in Agricultural Real Estate.** Mr. Pittman and the other members of our management team have extensive experience as owners of agricultural real estate and operators of farming businesses. As a result of this extensive experience, we believe we have a deeper understanding of agribusiness fundamentals and greater insight into factors affecting the value of farmland than many institutional owners and acquirers of farmland, which we believe is advantageous in, among other activities, structuring acquisitions and tenant leases.

- ***Expansive Relationships in the Agricultural Sector.*** Mr. Pittman's and the other members of our management team's extensive experience as owners of agricultural real estate and operators of farming businesses has helped us build expansive and strong relationships across a broad network of businesses and individuals in the agricultural sector, including family and corporate farms, real estate brokers, lenders, auction houses and suppliers of agricultural goods. We believe that these relationships provide us with valuable market intelligence related to agriculture fundamentals and provide us access to acquisition opportunities, many of which may not be available to our competitors.
- ***Early-Mover Advantage as a Leading Owner of Farmland.*** Ownership of U.S. farmland historically has been, and continues to be, extremely fragmented, with the vast majority of farmland being owned by families and individuals. According to the USDA, as of 2012, approximately 87% of farms in the United States were owned by families, and the average age of principal farm operators in the United States was 58 years old. We are one of the first public companies focused on owning and acquiring farmland in the United States. We believe our flexible capital structure, together with our ability as a public company to access the capital markets, will allow us to secure an early-mover advantage to become a large-scale, national owner of high-quality farmland.
- ***Strong Alignment of Interests.*** As of the date of this Annual Report, our executive officers and our directors collectively own approximately 9% of the equity interests in our company on a fully diluted basis, which we believe aligns their interests with those of our stockholders.

Our Business and Growth Strategies

Our principal business objective is to provide attractive stockholder returns through a combination of: (1) quarterly cash distributions to our stockholders; (2) sustainable long-term growth in cash flows from increased rents, which we hope to pass on to stockholders in the form of increased distributions; (3) additional cash flows derived from increased rents in connection with farm improvements (such as irrigation and drainage) and non-farming income streams (such as wind and solar leases); and (4) potential long-term appreciation in the value of our properties due in part to increasing farmland scarcity in the face of growing global food demand. Our primary strategy to achieve our business objective is to invest in, own and lease a portfolio of farmland and properties related to farming operations. Key components of our strategy include the following:

- ***Focus on Current Rental Income Generation and Long-Term Appreciation.*** We own and intend to acquire farmland that we believe offers attractive risk-adjusted returns through a combination of stable rental income generation and value appreciation. We expect to continue to lease our farmland to experienced and successful third-party farm operators, including sellers who desire to continue farming the land after we acquire it. We expect our farmland leases to generate stable short-term cash flows and increasing rental income over the long term. In certain circumstances, we look for alternative uses for our farms (such as solar and wind leases) when we believe it will create greater value for our stockholders. We intend to hold our properties for investment with a view to long-term appreciation, which we believe will result in attractive risk-adjusted returns to our stockholders. However, if we believe it to be in the best interests of our stockholders, we may elect to sell one or more of our properties from time to time in a manner consistent with our investment objectives and our intention to qualify as a REIT.
- ***Continue Our Disciplined Farmland Acquisition Strategy Based on Agriculture Fundamentals.*** We intend to continue to acquire high-quality farmland that we believe is positioned to take advantage of global food supply and demand trends and is located in geographic areas that historically have had a stable population of experienced and successful farm operators. We believe that we benefit from our management's and staff's extensive experience as owners and operators of agricultural real estate in identifying acquisition opportunities that satisfy our investment criteria and underwriting standards. Our acquisition strategy includes the following key components:

- **Target Farms of Varying Sizes** —We seek to acquire farms of varying sizes. We believe that our personnel and infrastructure allow us to perform due diligence on smaller farms quickly and efficiently, which provides us with an advantage over competitors that we believe do not have the investment focus or flexibility to pursue acquisitions of smaller farms. In addition, we believe small individual and family farmland buyers often are not as well capitalized as we are and may be unable to compete with us for acquisition opportunities of larger farms comprised of 1,500 or more tillable acres.
- **Acquire Farmland from Undercapitalized Owners** —While we do not believe there is widespread financial distress among farmland owners, we do believe that, to a limited extent, undercapitalization, overleverage, mismanagement and unforeseen circumstances at some individual and family farms will provide opportunities for us to acquire high-quality farmland at attractive prices, potentially in purchase-leaseback transactions. We believe our management's and staff's knowledge of agribusiness fundamentals and broad network of relationships allow us to pursue acquisition opportunities from undercapitalized or unsuccessful sellers in markets where we believe we can find experienced and successful farm operators (including, in some cases, the existing owners) to lease the farmland from us at competitive rates and where we believe market fundamentals support future value appreciation potential.
- **Use OP Units as Acquisition Currency** —We believe there are a large number of farm operators and farm families that own farmland that has substantially appreciated in value. According to the USDA's most recent published data, as of 2012, the average age of principal farm operators in the United States was 58 years old, with 33% age 65 or older, and the average age has been increasing steadily in recent years. As a result, we believe that many farm-owning families have estate planning needs and a desire to defer current income taxes, and that our ability to offer OP units as acquisition currency provides us with a strategic advantage over other potential farm buyers and possibly induce these prospective sellers to sell their farms earlier than they otherwise would in cash-only transactions. Since our inception, we have completed several farm acquisitions, including our two largest acquisitions to date, using OP units as partial consideration.
- **Utilize Our Real Estate Management Platform to Achieve Economies of Scale.** We believe that the overhead costs associated with the business of owning and leasing farmland are less than those required by other property types, such as office, multifamily and retail, due to the limited asset management, capital expenditure and tenant improvement requirements for farmland and a near-zero vacancy rate for quality farmland in quality markets. In addition, the terms of the leases with our tenants generally provide that we are responsible for major maintenance, insurance and taxes (which are generally reimbursed to us by our tenants), while our tenants are responsible for minor maintenance, water usage and all of the additional input costs related to the farming operations on the property, such as seed, fertilizer, labor and fuel. As a result, we believe that our existing systems and personnel are capable of supporting a significant increase in the size of our portfolio without a proportional increase in administrative or management costs. We also believe that, once we achieve scale in our portfolio, we will be able to realize significant cost savings and greater operational efficiency.
- **Leverage Our Infrastructure to Expand into the Lending Business.** We believe that our existing systems and personnel are well suited to source, diligence, close and manage loans under the FPI Loan Program at little or no additional costs. We believe that the business of making loans secured by mortgages on farmland is highly complementary to and synergistic with our core business of investing in farmland. We generally find potential borrowers during the process of sourcing farm acquisitions. We conduct due diligence on loan collateral the same way we conduct due diligence on potential farm acquisitions, and we screen potential borrowers the same way we screen potential tenants. The FPI Loan Program also gives us an increased visibility in the marketplace, thereby benefiting our core farmland investing business.
- **Further Diversify our Portfolio by Geography and Crop Type.** Since our initial public offering, we have significantly increased the diversification of our portfolio by geography, crop type and tenant, and we intend

to further diversify our portfolio going forward, particularly with respect to geography and crop type. We focus on geographic areas with substantial farming infrastructure and low transportation costs, including markets with access to river and rail transportation and with a relatively large and stable population of experienced farm operators as potential tenants. In addition, while we believe that primary crop farmland provides the greatest opportunity for value appreciation and increasing rental income over time, we intend to diversify our portfolio by adding farmland suitable for specialty crops and properties related to farming.

- ***Leverage Economies of Scale in Our Tenants' Combined Farming Operations.*** Farm operators typically do not have a scale that gives them bargaining power with many of their suppliers. Conversely, suppliers to farm operators incur significant marketing costs in reaching out to a highly fragmented customer base. We intend to create value for our farm-operator tenants as well as for some of their suppliers by aggregating our tenants' purchases of certain inputs – such as seed, fertilizer and equipment – and offering such aggregated purchases from selected suppliers on discounted terms. We believe that, by performing this role as an aggregator, we will be able to retain some of the value created for the ultimate benefit of our stockholders.

Our ability to effectively implement our business and growth strategies is subject to numerous risks and uncertainties, including those set forth under "Risk Factors—Risks Related to Our Business and Properties."

Investment Focus

We seek to invest in farmland that will give our stockholders exposure to the increasing global food demand trend in the face of farmland scarcity, while offering an attractive risk-adjusted combination of stable rental income generation and value appreciation. Our principal investment focus is on farmland located in agricultural markets throughout North America; however, we may seek to acquire farmland outside of North America in the future. We also may acquire properties related to farming, such as grain storage facilities, grain elevators, feedlots, processing plants and distribution centers, as well as livestock farms or ranches. In addition, under the FPI Loan Program, we provide mortgage loans secured by farmland and properties related to farming.

Crop Categories

Farm crops generally can be divided into two principal categories: primary crops and specialty crops. Primary crops include, among others, corn, soybeans, wheat, rice and cotton. Specialty crops can be again divided into two categories: annual specialty crops (generally vegetables) and permanent specialty crops (fruits and nuts grown on trees, bushes or vines). Over the long term, we expect that our farmland portfolio will be comprised of approximately of 80% primary crop farmland and 20% specialty crop farmland, which we believe will give investors exposure to the increasing global food demand trend in the face of growing scarcity of high quality farmland and will reflect the approximate breakdown of U.S. agricultural output between primary crops and animal protein (whose production relies principally on primary crops as feed), on one hand, and specialty crops, on the other.

Annual vs Permanent Crops

We primarily seek to buy farms that produce annual crops. We believe that annual crop farmland has less risk than permanent crop farmland because annual crops require less time and capital to plant. If a farm operator loses an annual crop to drought, flooding, fire or disease, the farm operator can generally resume production on the land in a few weeks or months. However, if a farm operator loses a permanent crop, there generally would be significant time and capital needed to return the land to production because a tree or vine may take years to grow before bearing fruit. Annual crop farmland also enables the farm operator to rotate crop types to improve soil quality, react to commodity price trends and adopt improved crop varieties. Permanent crop farmland is dedicated to one crop during the lifespan of the trees or vines and therefore cannot be rotated to adapt to changing conditions. As a result, we invest in permanent crop farmland only if the expected total return is high enough to be attractive on a risk-adjusted basis.

Primary vs Specialty Crops

We believe, for the following reasons, that primary crop farmland is more likely to appreciate and provide increasing rental income over time than other types of farmland:

- Primary crops constitute a large portion of the global demand for agricultural products and offer the most direct exposure to the fundamentals (population growth, GDP per capita growth and biofuels) that we expect will drive farmland values for the foreseeable future;
- Primary crops are easily transported in bulk, can be stored during periods of abundant production and sold during periods of scarcity, and generally are not subject to regional market dynamics; and
- Primary crop production involves little overhead and is capital intensive, and a large portion of the added value accrues to farmland as its most scarce production factor.

We believe that specialty crop farmland, especially if planted with permanent crops, is riskier than primary crop farmland and, therefore, we generally seek higher returns for this type of investment and intend to limit our exposure to approximately 20% of the acres in our portfolio.

U.S. Farmland Property

We believe that the United States offers farmland investors exposure to financial benefits driven by the fundamentals of agricultural production and farmland appreciation without many of the risks that come with farmland investments in many other countries. In the United States, the farmland market is relatively liquid and there is virtually no land title risk. Moreover, the United States has the largest, lowest-cost grain transportation infrastructure in the world, leaving more margin to the grain producer and landowner. Lastly, we believe that in most major U.S. agricultural markets, multiple quality farm-operator tenants compete for farmland lease opportunities.

We may consider investing in farmland in other countries that, like the United States, offer virtually no land title risk, a sophisticated farm-operator tenant environment and attractive rental rates, such as Canada, Australia or New Zealand.

Leased Properties

Farming land for crops carries significant operating risk, although it can be mitigated through crop insurance and other risk management tools. If a crop fails or the land does not produce the anticipated amount of crops, the farm operator may experience an economic loss. We believe that through leasing farmland, rather than farming it ourselves, we will mitigate this risk significantly. We intend to continue to lease a majority of our properties on a fixed-rent basis that does not depend on the success of the tenant's farming operations. Moreover, a majority of the leases in our portfolio provide that at least 50% (and often 100%) of the annual rent is due and payable in advance of each spring planting season, and we expect that a majority of the fixed-rent leases we enter into in the future will have a similar requirement, which reduces our credit-risk exposure in the event of operational issues with the farm-operator tenant. However, to the extent we enter into leases that do not require advance payment of 100% of the annual rent or have terms greater than one year, we may be subject to tenant credit risk and more susceptible to the risks associated with declines in the profitability of tenants' farming operations, and we take such risk into consideration when evaluating the potential return on a farm. We may use variable-rent leases, which depend in part on crop yields and prices, in regions where such arrangements are prevalent or when we expect that such arrangements will be more profitable to us on a risk-adjusted basis. We also may utilize hybrid lease arrangements that require a modest rent payment at lease inception and an additional rent payment based on a percentage of the revenue from the tenant's harvest for that year.

We expect to continue to lease the majority of our farmland and other farming related properties under leases that require the tenant to either pay or reimburse us for substantially all of the property's operating expenses, including maintenance, water usage and insurance, as well as all of the input costs related to the farming operations, such as seed, fertilizer, labor and fuel. Several of our leases provide for the reimbursement by the tenant of the property's real estate

taxes that we pay in connection with the farms they rent from us. The rental payments we receive from the farm operators will be the primary source of any distributions that we make to our stockholders.

We expect that over time rental income will increase. Most farmland in the areas where we own or intend to acquire land is leased under short-term leases (typically three years or less), and we plan to lease our property under short-term leases. By entering into short-term leases, we believe we will be in a position to increase our rental rates when the leases expire and are renewed or the land is re-leased, if prevailing rental rates have increased. However, we can provide no assurances that we will be able to increase our rental rates, or even maintain them at the same level, when the leases are renewed or the land is re-leased.

We believe quality farmland has a near-zero vacancy rate, and we believe that high-quality farmland in an area with a competitive tenant environment is generally leased and farmed each year. For leases that provide that a substantial portion of rental payments for a crop year are due in advance of the spring planting season, in the event of a tenant's failure to pay rent when due, we will seek to terminate the lease and rent the property to another tenant that could then plant and harvest a crop that year. As a result, we believe there is a reduced risk of vacancy on our properties when compared to most other types of commercial properties, such as office buildings or retail properties.

Tenants

We believe the areas where we own and intend to acquire farmland are characterized by a competitive farm-operator tenant environment, with multiple experienced farm operators seeking to expand their operations by leasing additional farmland.

Non-Farming Leases

In addition to leases entered into in connection with farming operations, we seek additional sources of income from our properties that are either incremental, such as wind easements and recreational leases, or are higher than farming rents, such as leases for solar power installations. While we do not believe that such other sources of income will constitute a significant percentage of our total revenues, they offer opportunities to enhance returns to stockholders at little or no cost to us.

Family-Owned Properties

According to the USDA, as of 2012, approximately 87% of farms in the United States were owned by families. We believe that many farm families and individuals may wish to simultaneously sell some of their property and lease it back, continuing their operation of such property under a leasing arrangement. Sellers in these sale-leaseback transactions can use the sale proceeds to repay existing indebtedness, for growth of their farming operations or in other business endeavors. Under some circumstances, these sale-leaseback transactions might be driven by estate planning reasons. We believe that the farmland that we acquire and do not simultaneously lease back to the seller can be leased at attractive rental rates to other independent or corporate farm operators.

As an alternative to selling their farmland to us in an all-cash transaction, we believe that many farm owners may be interested in selling their farmland to us in exchange for OP units in order to have an equity interest in our company and participate in any appreciation in value of our properties. By making such an exchange, these farm owners would become investors in a more diversified portfolio of agricultural real estate. Under certain circumstances, the exchange of real estate for OP units is a tax-deferred exchange under U.S. federal income tax laws. In addition, because we intend to make cash distributions each quarter, OP unit holders would receive regular quarterly cash distributions. Finally, OP unit holders would have the flexibility to redeem their OP units in the future for cash, or, at our election, shares of our common stock that they could then sell in the public market, thereby allowing these sellers to determine the timing of recognizing taxable gain. Because we expect the issuance of OP units in exchange for farmland generally will be driven by the desires of prospective sellers, we do not know how frequently we will issue OP units in exchange for farmland properties. However, we believe that using OP units as acquisition consideration can be a significant part of our property acquisition strategy.

Other Investments

In addition to farmland, we also may acquire properties related to farming, such as grain storage facilities, grain elevators, feedlots, processing plants and distribution centers, as well as livestock ranches. We currently own eight grain storage facilities, two in each of Illinois, Colorado and Nebraska and one in each of Arkansas and South Carolina. In addition, through the FPI Loan Program, we provide mortgage loans secured by farmland and properties related to farming.

Underwriting Criteria and Due Diligence Process

Selecting the Property

We seek to acquire farmland that offers an attractive risk-adjusted balance of current returns and appreciation potential. We believe our management team's deep understanding of agribusiness fundamentals and insight into factors affecting the value of farmland allow us to identify properties consistent with our investment criteria. We believe the following factors are important in the selection of farmland:

- *Soil Quality* —Soil quality is a fundamental determinant of farmland productivity and therefore of its value. In considering farmland for purchase, we take soil quality into consideration to determine whether the farmland is attractively priced. In general, we focus on farmland with average or better-than-average soil.
- *Water Availability* —Availability of water is essential to farming and is a major consideration in determining the value of farmland. With regard to water availability, we seek to purchase three types of properties:
 - Farmland located in areas with sufficient natural precipitation in an average year for the crops expected to be grown. When appropriate, we may improve these properties by installing wells and irrigation equipment;
 - Farmland with access to water via wells in areas where the underground water supply is regularly replenished annually by natural precipitation or where the irrigation water supply is annually replenished from surface sources; and
 - Farmland with access to water via wells in areas where the water table is dropping year over year, but where the valuation and current return expectations appropriately reflect the expected decline in value as water runs out.
- *Robust and Competitive Tenant Environment* —We focus primarily on farmland located in areas characterized by a robust and competitive tenant environment, with a relatively large population of experienced farm operators as potential tenants.
- *Market Access* —Due to the higher costs of road transportation, the location of farmland relative to points of demand (e.g., grain elevators, feedlots and ethanol plants) or access to low-cost transportation (e.g., river ports and rail loading facilities) determines the premium or discount in farm-gate commodity prices compared to the general market prices (also known as “basis”), and therefore is one of the factors that impacts its value. We focus on acquiring farmland in areas with substantial farming infrastructure and low transportation costs, including markets with access to river and rail transportation.
- *Climate* —We focus our investment activity in regions with favorable climates for growing primary crops, taking into consideration expected crop varietal availability and climate trends.

We perform a due diligence review with respect to each potential property acquisition. The due diligence investigation includes both property-specific factors (e.g., soil types and fertility, water availability and rights, topographical characteristics and property taxes) and location-specific factors (e.g., climate, tenant availability and quality, and market access). As part of our due diligence process, we also perform a valuation of each target property and estimate expected lease rates.

Selecting Tenants

We intend to continue to focus primarily on farmland located in areas with a robust and competitive environment of experienced tenants. In general, the tenant selection process focuses primarily on candidates' experience and reputation based upon background and reference checks of potential tenants, as well as their willingness and ability to pay competitive rental rates. We consider similar factors in analyzing sale-leaseback transactions. In geographic areas where we already own one or more properties, we may give our existing local tenants priority consideration, especially in exchange for sourcing a property acquisition opportunity. We generally mitigate tenant credit risk by requiring a significant portion of a year's rent in advance of each spring planting season whenever possible, by requiring a tenant to adopt crop insurance, and/or by filing liens on growing crops. In addition, we monitor our existing tenants by periodically conducting site visits of the farms and meeting with the tenants to discuss their farming operations and the condition of the farms. However, in some circumstances, we may be exposed to tenant credit risk and may be subject to farming operation risks, such as adverse weather conditions and declines in commodity prices, particularly with respect to leases that do not require advance payment of 100% of the annual rent, variable-rent leases for which the rent is based on a percentage of a tenant's farming revenues and leases with terms greater than one year. See "Risk Factors—Risks Related to Our Business and Properties". We do not intend to continuously monitor and evaluate tenant credit quality and may be subject to risks associated with our tenants' financial condition and liquidity position.

FPI Loan Program

We believe that our existing systems and personnel are well suited to source, diligence, close and manage loans under the FPI Loan Program at little or no additional cost to us. We believe that the business of making loans secured by mortgages on farmland is highly complementary to, and synergistic with, our core business of investing in farmland. We generally find potential borrowers during the process of sourcing farm acquisitions. We conduct due diligence on loan collateral the same way we conduct due diligence on potential farm acquisitions, and we screen potential borrowers the same way we screen potential tenants. The FPI Loan Program offering gives us an increased visibility in the marketplace, thereby benefiting our core farmland investing business.

Seasonality

Because the leases for a majority of the properties in our portfolio require payment of at least 50% of the annual rent in advance of each spring planting season, we receive a significant portion of our cash rental payments in the first calendar quarter of each year, although we recognize rental revenue from these leases on a pro rata basis over the non-cancellable term of the lease in accordance with GAAP.

Our Properties

As of the date of this Annual Report, we own 253 farms, consisting of approximately 99,572 total acres of farmland, as well as eight grain storage facilities. The table below provides certain information regarding each property in our portfolio as of the date of this Annual Report.

Property Name	County, State	Date Acquired (1)	Tillable Acres	Total Acres
Vendome	Jackson & Craighead, AR	12/3/2014	1,448	1,505
Jackson	Prairie & White, AR	12/15/2014	1,322	1,472
Ballymore	Yell, AR	10/24/2014	1,150	1,281
Garrott	Woodruff, AR	12/23/2014	1,068	1,275
Diantha West	Jefferson, AR	12/17/2014	653	712
Crow	Yell, AR	12/1/2014	628	668
Ruder	Yell, AR	9/24/2014	649	667
Long Prairie	Lonoke, AR	12/15/2014	496	518
Bobcat	St. Francis, AR	4/30/2015	925	934
Purdy	Crittenden & Mississippi, AR	7/2/2015	1,321	1,383
James Ranch	Cheyenne, CO	6/12/2014	6,100	6,430
Eibert & Johnson	Kit Carson, CO	5/30/2014	1,475	1,475
Stonington Smith	Baca, CO	10/29/2014	1,296	1,308
Hitchcock	Kit Carson, CO	6/12/2014	1,209	1,210
Cure	Kit Carson, CO	6/12/2014	1,086	1,100
Baca	Baca, CO	11/1/2010	867	961
Stonington Bass	Baca, CO	2/18/2015	994	997
Schutte	Kit Carson, CO	5/30/2014	900	900
Harrel	Kit Carson, CO	6/12/2014	802	803
Rhoades	Kit Carson, CO	6/12/2014	469	480
Buol	Kit Carson, CO	6/12/2014	476	480

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Property Name	County, State	Date Acquired (1)	Tillable Acres	Total Acres
County Line	Kit Carson, CO	6/12/2014	480	480
Hudye Chute	Kit Carson, CO	6/12/2014	412	460
Erker Chute	Kit Carson, CO	5/30/2014	320	320
Hofner	Yuma, CO	12/12/2014	224	320
Korbelik	Kit Carson, CO	5/30/2014	275	275
Mershfelder	Cheyenne, CO	6/12/2014	247	250
McArthur	Kit Carson, CO	5/30/2014	201	201
Reimer	Phillips, CO	12/12/2014	162	162
Carruthers	Phillips, CO	12/12/2014	160	160
Jacoby	Yuma, CO	12/18/2014	159	160
Timmerman	Phillips, CO	3/13/2015	271	315
Drury	Yuma, CO	4/10/2015	157	160
Sutter	Yuma, CO	4/17/2015	314	322
Kinnison	Sedgwick, CO	12/30/2015	171	171
Mobley	Telfair, GA	10/9/2015	967	1,069
Selph	Telfair, GA	12/17/2015	116	116
Myers	Telfair, GA	12/17/2015	162	182
Knowles	Telfair, GA	3/11/2016	282	608
Knight	Telfair, GA	3/10/2015	139	208
Pella Bins and Tracks	McDonough, IL	3/1/2010	459	490
Kaufman	McDonough, IL	12/1/2010	338	427
Big Pivot	Mason, IL	1/1/2007	336	342
Pumphouse West	Schuyler, IL	11/1/2008	267	317
Scripps	Schuyler, IL	12/1/2000	299	310
Cleer	Fulton, IL	9/1/2007	271	298
Curless	Fulton, IL	1/1/2009	250	250
Tazewell	Tazewell, IL	1/1/2008	241	241
Stelter	Mason, IL	1/1/2008	234	234
Henninger	Schuyler, IL	1/1/2004	232	232
Crane Creek	Schuyler, IL	6/2/2003	211	211
John's Shop	McDonough, IL	11/1/2006	199	205
Symond	Mason, IL	12/21/2012	195	200
Duncantown	Fulton, IL	2/1/2008	151	172
Bardolph	McDonough, IL	4/1/2008	147	160
Weber	Schuyler, IL	4/1/2001	146	153
Copes	Schuyler, IL	12/1/2007	123	137
Pumphouse East	Schuyler, IL	6/1/2003	112	125
Beckerdite	Schuyler, IL	2/12/2012	112	120
Pella Kelso	McDonough, IL	11/1/2007	111	115
Dilworth	McDonough, IL	6/9/2011	112	115
Busch	Mason, IL	12/1/2010	109	110
McFadden MD	McDonough, IL	10/8/2012	88	107
Smith	McDonough, IL	6/26/2013	95	100
Ambrose	Mason, IL	12/1/2006	80	80
Parr	Fulton, IL	11/1/2008	61	79
Crabtree	Mason, IL	11/1/2009	77	79
Heap	McDonough, IL	9/11/2011	70	79
Adair FS	McDonough, IL	1/1/2006	73	75
Table Grove	Fulton, IL	11/1/2006	58	60
Skien	Fulton, IL	4/27/2011	45	52
Estep	Mason, IL	3/28/2011	35	35
McFadden SC	Schuyler, IL	10/8/2012	31	34
Abraham	Fulton, IL	5/29/2015	110	110
Tomasek	McDonough, IL	6/30/2015	58	58
Howe	McDonough, IL	12/15/2015	78	78
Chenoweth	Fulton, IL	2/26/2016	39	40
Alice Siverly	Edgar, IL	3/2/2016	207	220
Ayrshire-Hess	Edgar, IL	3/2/2016	-	40
B. Tingley	Clark, IL	3/2/2016	85	119
Baber	Edgar, IL	3/2/2016	357	360
Ben Reese	Edgar, IL	3/2/2016	96	237
Bernice Vernon	Edgar, IL	3/2/2016	195	239
Block	Coles & Edgar, IL	3/2/2016	511	559
Bower	Vermilion, IL	3/2/2016	81	82

Brimner	Edgar, IL	3/2/2016	35	40
Bristow Farm	Edgar, IL	3/2/2016	267	263
Bubeck	Clark, IL	3/2/2016	39	40
Buck	Edgar, IL	3/2/2016	90	87
Bush	Clark, IL	3/2/2016	234	250
Campbell	Clark & Edgar, IL	3/2/2016	469	475
Capen	Edgar, IL	3/2/2016	79	80
Coffey	Edgar, IL	3/2/2016	120	120
Conaghan N	Coles, IL	3/2/2016	117	119
Conaghan S	Coles, IL	3/2/2016	119	120
Cox	Clark, IL	3/2/2016	114	120
D. Huisinga	Clark, IL	3/2/2016	221	220
D. Morgan	Clark, IL	3/2/2016	100	100
D. Wilson	Clark, IL	3/2/2016	117	120
Dailey	Edgar, IL	3/2/2016	592	599
Dailey Shiloh	Edgar, IL	3/2/2016	280	280
De De	Coles & Edgar, IL	3/2/2016	494	525
Dickerson	Clark, IL	3/2/2016	120	120
Doll FFF II LP	Clark, IL	3/2/2016	296	354
Earl Wilson Woods	Edgar, IL	3/2/2016	-	46
Earl Wilson	Edgar, IL	3/2/2016	223	214
Edwardson	Clark, IL	3/2/2016	52	55
Eugene Lindley	Clark, IL	3/2/2016	158	194
Fleming - North	Edgar, IL	3/2/2016	33	74
Forren	Edgar, IL	3/2/2016	120	126

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Property Name	County, State	Date Acquired (1)	Tillable Acres	Total Acres
Frieda Wilson	Clark, IL	3/2/2016	116	120
Graves	Clark, IL	3/2/2016	149	156
Green	Edgar, IL	3/2/2016	244	242
H. Burnam	Clark, IL	3/2/2016	190	290
H. Wilson	Clark, IL	3/2/2016	258	393
Hackney	Clark, IL	3/2/2016	30	30
Haddix	Clark, IL	3/2/2016	137	145
Hall	Clark, IL	3/2/2016	246	265
Halloran	Clark & Crawford, IL	3/2/2016	727	778
Hanner Throneburg	Clark, IL	3/2/2016	68	70
Harper	Edgar, IL	3/2/2016	50	60
Hart	Edgar, IL	3/2/2016	224	278
Hart South	Edgar, IL	3/2/2016	81	199
Hilbert	Clark, IL	3/2/2016	123	143
Huey	Clark, IL	3/2/2016	39	40
Huffington	Clark, IL	3/2/2016	156	160
Huisinga	Clark, IL	3/2/2016	60	60
Huisinga 43	Clark, IL	3/2/2016	40	43
Ingram	Edgar, IL	3/2/2016	92	120
J. Baber	Edgar, IL	3/2/2016	368	359
J. Kirchner East	Clark, IL	3/2/2016	47	59
J. Kirchner North	Clark, IL	3/2/2016	40	40
J. Rowe	Edgar, IL	3/2/2016	138	146
Jerry Williams	Edgar, IL	3/2/2016	508	511
Joab North	Edgar, IL	3/2/2016	90	90
Kile	Clark, IL	3/2/2016	69	97
Knotts	Edgar, IL	3/2/2016	30	30
Koonce-Griffin	Clark, IL	3/2/2016	80	80
L. Wilson	Edgar, IL	3/2/2016	72	80
Lamb	Clark, IL	3/2/2016	40	40
Lamkey	Edgar, IL	3/2/2016	122	123
Land Black	Edgar, IL	3/2/2016	40	40
Land Co. Morgan	Clark, IL	3/2/2016	197	200
Land Douglas	Edgar, IL	3/2/2016	278	299
Land Pennington	Edgar, IL	3/2/2016	21	20
Landes	Edgar, IL	3/2/2016	78	80
Lindley	Clark, IL	3/2/2016	70	80
Mary Adams	Coles & Edgar, IL	3/2/2016	398	394
Millis	Clark & Crawford, IL	3/2/2016	273	331
Moody Trust	Edgar, IL	3/2/2016	59	60
Moss Trust (Hinds)	Edgar, IL	3/2/2016	96	100
Mulholland	Clark, IL	3/2/2016	105	161
Murphy	Clark, IL	3/2/2016	108	137
Nellie Parrish	Edgar, IL	3/2/2016	90	135
New Joab	Edgar, IL	3/2/2016	271	302
Nunnamaker	Clark, IL	3/2/2016	163	168
O. Kirchner East	Clark, IL	3/2/2016	28	30
O. Kirchner West	Clark, IL	3/2/2016	47	47
Ogden	Edgar, IL	3/2/2016	135	137
P. Tingley Bullskin	Clark, IL	3/2/2016	58	121
Patchett	Edgar, IL	3/2/2016	177	195
Paul Williams	Clark, IL	3/2/2016	78	78
Perry	Clark, IL	3/2/2016	135	139
Pinnell	Edgar, IL	3/2/2016	315	381
Quillen	Clark, IL	3/2/2016	24	80
Quinn FFF LP	Clark, IL	3/2/2016	114	118
R. Wilson	Edgar, IL	3/2/2016	116	120
R. Yocum	Clark, IL	3/2/2016	272	285
Ragain	Edgar, IL	3/2/2016	100	100
Richards-Honn	Edgar, IL	3/2/2016	81	80
Roberts Trust #514	Douglas, IL	3/2/2016	225	236
Robinson	Edgar, IL	3/2/2016	256	253
Rowe (Dodd)	Edgar, IL	3/2/2016	61	60
Rowe (Glick)	Edgar, IL	3/2/2016	80	80

Ruth Forsythe	Edgar, IL	3/2/2016	71	71
S. Huisinga	Clark, IL	3/2/2016	76	80
Schwartz	Clark, IL	3/2/2016	104	105
Shawver	Clark, IL	3/2/2016	55	53
Shaeff	Cumberland, IL	3/2/2016	70	70
Shore-Wade	Clark & Cumberland, IL	3/2/2016	221	222
Shotts	Clark, IL	3/2/2016	32	35
Sinclair	Edgar, IL	3/2/2016	207	210
Snoddy	Coles, IL	3/2/2016	35	40
Sophie Lynn Wright	Clark, IL	3/2/2016	224	305
Steele	Edgar, IL	3/2/2016	292	305
Sunkel	Edgar, IL	3/2/2016	97	100
Temples	Douglas, IL	3/2/2016	153	160
Towles	Edgar, IL	3/2/2016	148	155
Van Auken	Coles & Edgar, IL	3/2/2016	60	60
Van Tarble	Clark, IL	3/2/2016	377	392
Wells	Clark, IL	3/2/2016	1,355	1,584
Whisnand	Coles & Edgar, IL	3/2/2016	177	177
Wiggins	Edgar, IL	3/2/2016	694	711
Wyatt Adams	Edgar, IL	3/2/2016	255	267
Young	Cumberland, IL	3/2/2016	131	136
Liby	Kit Carson, CO and Sherman, KS	6/12/2014	485	486
Zweygardt	Logan, KS	6/12/2014	313	320
Erker Wallace	Wallace, KS and Kit Carson, CO	12/4/2015	1,197	1,217
Bonita Brake	Morehouse Parish, LA	10/15/2014	1,010	1,088

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Property Name	County, State	Date Acquired (1)	Tillable Acres	Total Acres
Davis	Richland Parish, LA	10/16/2014	850	885
Riccioni	Van Buren, MI	9/15/2015	159	181
Borden	Van Buren, MI	1/21/2016	183	265
Proventus	Sunflower, MS	11/21/2014	1,673	1,964
Swarek	Quitman, MS	1/14/2015	806	850
Swindoll Darby	Tunica, MS	5/14/2015	341	359
Matthews	Tunica & DeSoto, MS	7/10/2015	1,048	1,130
AgEast	Beaufort, NC	6/2/2015	6,337	6,584
Marco & Jarvis	Currituck, NC	6/2/2015	624	944
Howey & Alexander	Pamlico, NC	6/2/2015	1,354	1,375
Tantor	Pasquotank, NC	6/2/2015	317	319
In Middle	Pasquotank and Perquimans, NC	6/2/2015	1,046	1,073
Larabee	Perquimans, NC	6/2/2015	782	791
Taylor	Chase, NE	12/15/2014	654	770
Broadwater	Morrill, NE	7/1/2014	483	640
Matulka	Butler, NE	1/2/2012	234	242
Stanbra/ Zeller	Butler, NE	1/1/2012	178	181
Otterpohl	Merrick, NE	12/8/2014	159	162
Beck	Merrick, NE	12/8/2014	139	161
Jarecki	Polk, NE	12/8/2014	156	160
Tindall	Polk, NE	12/8/2014	139	161
Mentink	Polk, NE	12/22/2014	156	160
Fadschild	Butler, NE	12/11/2014	154	155
Benda Polk	Polk, NE	2/24/2015	123	123
Zeagers	Butler, NE	12/26/2012	118	120
Prague	Saunders, NE	11/21/2014	61	80
Kropatsch	Polk, NE	12/8/2014	79	80
Kelly	Butler, NE	6/29/2012	74	75
Benda Butler	Butler, NE	2/24/2015	70	73
Boe (Nebraska Battle Creek Farms)-5 farms	Madison, NE	4/10/2015	918	1,117
Lutz (Northeast Nebraska Farms)-6 farms	Pierce, NE	4/10/2015	1,116	1,160
Herrmann	Polk, NE	10/1/2015	157	160
Kosch	Butler, NE	12/15/2015	80	80
Turbeville	Clarendon & Sumter, SC	12/22/2014	2,073	2,546
Ten Mile	Marion, SC	12/22/2014	890	1,180
Coopers Mill	Lee, SC	12/22/2014	531	945
Maidendown	Marion, SC	12/22/2014	577	926
Tyndall	Lee, SC	12/22/2014	399	442
Paxville	Clarendon, SC	12/22/2014	397	429
Drakeford	Lee, SC	12/22/2014	241	350
Cypress Bay	Bamberg, SC	3/13/2015	460	502
Bennettsville	Marlboro, SC	6/2/2015	2,154	2,605
Reinart	Hutchison and Moore, TX	1/27/2016	1,370	2,056
Cartwright & Old Farm	City of Chesapeake, VA	6/2/2015	972	1,244
			90,080	99,572

(1) Date acquired by us or our predecessor, FP Land LLC. Certain farms were consolidated by purchasing land parcels in multiple transactions.

Our portfolio as of the date of this Annual Report has the following rents or rent estimates for 2016 by lease type or status:

Lease Type or Status - as of the date of this Annual Report	2016 Rent	%
Leases in place with third parties		
Fixed rent (1)	\$ 18,901,640	88.56 %
Variable rent (2)	1,810,190	8.48 %
Internal leases (3)		
	207,197	0.97 %
Leases being negotiated (4)		
	423,913	1.99 %
	<u>\$ 21,342,940</u>	<u>100.00 %</u>

- (1) Includes the fixed rent portion of leases providing for fixed and variable rent components.
- (2) Management estimate based on farms' historical productivity and regional crop price projections. We can provide no assurance that crop yields and prices will reach expected levels or that we will obtain the rents we anticipate.
- (3) Leases to FPI Agribusiness LLC, our taxable REIT subsidiary. In accordance with GAAP, revenues derived from these leases are eliminated in consolidation.
- (4) Management estimate based on the current status of lease negotiations and the current leasing market environment for each farm. We can provide no assurance that the rents we obtain will reflect the current status of our lease negotiations or the current leasing market environment for each farm.

Tax Status

We elected and qualified to be taxed as a REIT for U.S. federal income tax purposes commencing with our short taxable year ended December 31, 2014. Our qualification as a REIT will depend upon our ability to meet, on a continuing

basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code of 1986, as amended (the “Code”), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT for U.S. federal income tax purposes.

As a REIT, we generally will not be subject to U.S. federal income tax on our taxable income that we distribute to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute on an annual basis at least 90% of their REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income for that year will be subject to tax at regular corporate rates, and we would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to U.S. federal income and excise taxes on our undistributed income. Additionally, any income earned by FPI Agribusiness Inc., our taxable REIT subsidiary, and any other taxable REIT subsidiaries (“TRSS”) that we form or acquire in the future will be fully subject to U.S. federal, state and local corporate income tax.

Insurance

Under the terms and conditions of the leases on our current properties, tenants are generally required, at their expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies and to name us an additional insured party. These policies include liability coverage for bodily injury and property damage arising out of the ownership, use, occupancy or maintenance of the properties and all of their appurtenant areas. In addition to our tenants' insurance policies under which we will be an additional insured party, we also maintain comprehensive liability and casualty insurance covering all of our properties under a blanket insurance policy, which provides coverage to the extent there is insufficient coverage under our tenants' policies.

Regulation

Farming Regulation

The farmland that we own and intend to acquire is used for growing crops and is subject to the laws, ordinances and regulations of state, local and federal governments, including laws, ordinances and regulations involving land use and usage, water rights, treatment methods, disturbance, the environment and eminent domain.

Farmland is principally subject to environmental and agricultural laws, ordinances and regulations. Each governmental jurisdiction has its own distinct laws, ordinances and regulations governing the use of farmland. Many such laws, ordinances and regulations seek to regulate water usage and water runoff because water can be in limited supply, as is the case where certain of the properties in our portfolio are located.

All of the farms in our portfolio have sources of water, including expected precipitation, wells and/or surface water, that currently provide sufficient amounts of water necessary for the current farming operations at each location. However, should the need arise for additional water from wells and/or surface water sources, such permits and approvals may be difficult to obtain in areas with limited supply of available water. We believe that as of the date of this Annual Report our farms are in compliance with applicable state, county and federal environmental and agricultural regulations.

In addition to the regulation of water usage and water runoff, state, local and federal governments also seek to regulate the type, quantity and method of use of chemicals and materials for growing crops, including fertilizers, pesticides and nutrient rich materials. Such regulations could include restricting or preventing the use of such chemicals and materials near residential housing or near water sources. Further, some regulations have strictly forbidden or significantly limited the use of certain chemicals and materials.

As an owner of farmland, we may be liable or responsible for the actions or inactions of our tenants with respect to these laws, regulations and ordinances.

Real Estate Industry Regulation

Generally, the ownership and operation of real properties is subject to various laws, ordinances and regulations, including regulations relating to zoning, land use, water rights, wastewater, storm water runoff and lien sale rights and procedures. These laws, ordinances or regulations, such as the Comprehensive Environmental Response and Compensation Liability Act, or CERCLA, and its state analogs, or any changes to any such laws, ordinances or regulations, could result in or increase the potential liability for environmental conditions or circumstances existing, or created by tenants or others, on our properties. Laws related to upkeep, safety and taxation requirements may result in significant unanticipated expenditures, loss of our properties or other impairments to operations, any of which would adversely affect our cash flows from operating activities.

Environmental Matters

As an owner of real estate, we will be subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance at our properties. Environmental laws often impose liability without regard to whether the owner or operator knew of or was responsible for the presence of the contaminants. The costs of any required investigation or cleanup of these substances could be substantial. The liability is generally not limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party liability for personal injury or property damage or adversely affect our ability to lease the real property or to borrow using the real estate as collateral. These and other risks related to environmental matters are described in more detail in "Item 1A. Risk Factors."

Competition

Competition to our efforts to acquire farmland can come from many different entities. Individual farmers are the most active buyers of farmland. Institutional investors, investment funds, other farmland REITs, individual investors and others also compete for farmland acreage. Investment firms that we might compete directly against could include agricultural investment firms such as Westchester Agriculture Asset Management (a TIAA-CREF company), Hancock Agricultural Investment Group, Prudential Agricultural Investments, and UBS Agrivest, LLC. These firms engage in the acquisition, asset management, valuation and disposition of farmland properties. REITs that we might compete with are Gladstone Land Corp. and American Farmland Company.

Employees

At March 10, 2016, we had 13 employees. None of our employees is a member of a labor union.

Corporate Information

Our executive offices are located at 4600 South Syracuse Street, Suite 1450, Denver, Colorado 80237. Our telephone number at our executive offices is (720) 452-3100 and our corporate website is www.farmlandpartners.com. The information on, or accessible through, our website is not incorporated into and does not constitute a part of this Annual Report on Form 10-K or any other report or document we file with or furnish to the SEC.

Available Information

We file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports with the SEC. You may obtain copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at www.sec.gov. In addition, as soon as reasonably practicable after such materials are furnished to the

SEC, we make copies of these documents available to the public free of charge through our website or by contacting our Secretary at the address set forth above under “—Corporate Information.”

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Governance Documents section of the Corporate Information section of our website.

Financial Information

For required financial information related to our operations, please refer to our consolidated financial statements, including the notes thereto, included with in this Annual Report on Form 10-K.

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our stockholders. You should carefully consider the following risks in evaluating our Company and our business. The occurrence of any of the following risks could materially adversely impact our financial condition, results of operations, cash flow, the market price of shares of our common stock and our ability to, among other things, satisfy our debt service obligations and to make distributions to our stockholders, which in turn could cause our stockholders to lose all or a part of their investment. Some statements in this report including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled “Special Note Regarding Forward-Looking Statements” at the beginning of this Annual Report on Form 10-K.

Risks Related to Our Business and Properties

The geographic concentration of our portfolio in certain states could cause us to be more susceptible to adverse weather, economic or regulatory changes or developments in the areas in which our properties are located than if we owned a more geographically dispersed portfolio, which could materially and adversely affect the value of our farms and our ability to lease our farms on favorable terms or at all.

As of the date of this Annual Report, our farms in Illinois, Colorado, North Carolina, Arkansas and South Carolina represented 28.2%, 20.4%, 11.1%, 10.5% and 10.0 %, respectively, of the total acreage in our portfolio. As a result, we are particularly susceptible to developments or conditions in the areas in which our farms are located, including adverse weather conditions (such as windstorms, tornados, floods, drought, hail and temperature extremes), transportation conditions (including navigation of the Mississippi River), crop disease, pests and other adverse growing conditions, and unfavorable or uncertain political, economic, business or regulatory conditions (such as changes in price supports, subsidies, water management regimes and environmental regulations). Any such developments or conditions could materially and adversely affect the value of our farms and our ability to lease our farms on favorable terms or at all, which could adversely affect our financial condition, results of operations, cash flow and ability to make distributions to our stockholders.

Our portfolio is comprised primarily of properties used to grow primary crops such as corn, soybeans, wheat, rice and cotton, which subjects us to risks associated with concentrating our portfolio in a single asset class devoted to a limited number of crop types.

Our portfolio is comprised primarily of properties used to grow primary crops, such as corn, soybeans, wheat, rice and cotton. As a result, any development or situation that adversely affects the value of properties generally or the prices of corn, soybeans, wheat, rice or cotton including those described in the risk factor above, could have a more significant adverse impact on us than if our portfolio were diversified by asset type or crop type, which could materially and adversely impact our financial condition, results of operations and ability to make distributions to our stockholders.

Our business is dependent in part upon the profitability of our tenants' farming operations, and any sustained downturn in the profitability of their farming operations could have a material adverse effect on the amount of rent we can collect and, consequently, our cash flow and ability to make distributions to our stockholders.

We depend on our tenants to operate the farms we own in a manner that generates revenues sufficient to allow them to meet their obligations to us, including their obligations to pay rent and real estate taxes, maintain certain insurance coverage and maintain the properties generally. The ability of our tenants to fulfill their obligations under our leases depends, in part, upon the overall profitability of their farming operations, which could be adversely impacted by, among other things, adverse weather conditions, crop prices, crop disease, pests, contaminants, and unfavorable or uncertain political, economic, business or regulatory conditions. We are particularly susceptible to any decline in the profitability of our tenants' farming operations for our leases that do not require 100% of the annual rent to be paid in advance of each spring planting season and for our variable-rent leases, pursuant to which the amount of rent depends on crop yields and prices realized by our tenants, as well as for our leases with terms longer than one year. In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. We can provide no assurances that, if a tenant defaults on its obligations to us under a lease, we will be able to lease or re-lease that farm on economically favorable terms in a timely manner, or at all. In addition, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment.

The rents we are able to negotiate for the properties we own will be based, in part, on each tenant's expectation of the land's future productivity. To the extent we lease to tenants whose operations become less profitable, prospective tenants may assume that the reduction in profitability is due, in part, to less productive land, which could make it more difficult to negotiate favorable rental rates for such properties. Our tenants' profitability could also be adversely affected by declines in market prices for primary crops.

As a result, any downturn in the profitability of the farming operations of our tenants or a downturn in the farming industry as a whole could have a material adverse effect on our financial condition, results of operations, cash flow and ability to make distributions to our stockholders.

We have a substantial amount of indebtedness outstanding and significant near-term maturities, which may expose us to the risk of default under our debt obligations, restrict our operations and our ability to grow our business and revenues and restrict our ability to pay distributions to our stockholders.

As of December 31, 2015 and as of March 10, 2016, we had approximately \$187.2 million and \$237.2 million, respectively, of outstanding indebtedness, all of which is secured by mortgages on our farms. We intend to incur additional debt in connection with future acquisitions or for other purposes and, if necessary, we may borrow funds to make distributions to our stockholders in order to qualify and maintain our qualification as a REIT for U.S. federal income tax purposes. We have approximately \$84.7 million of indebtedness maturing in 2016, including \$53.0 million maturing on April 29, 2016 (subject to three one-month extension options) and \$26.0 million maturing on June 4, 2016. To the extent that we do not have sufficient funds to repay our debt at maturity, it may be necessary to refinance the debt through new debt or equity financings, which may not be available on acceptable terms or at all and which could be dilutive to our stockholders. If we are unable to refinance our debt on acceptable terms or at all, we may be forced to dispose of farms at inopportune times or on disadvantageous terms, which could result in losses. In addition, our debt agreements include customary events of default, the occurrence of any of which, after any applicable cure period, would permit the lenders to, among other things, accelerate payment of all amounts outstanding under the loans and to exercise their remedies with respect to the collateral, including foreclosure and sale of the agricultural real estate securing the loans. Certain of our debt agreements also contain cross-default provisions that give the lender the right, in certain circumstances, to declare a default if we are in default under other loans. If any one of these events were to occur, our financial condition, results of operations, cash flow and ability to pay distributions to our stockholders could be materially and adversely affected.

A significant portion of our farms are leased to entities under common control, and the failure of these entities to meet their obligations to us, or their determination not to renew leases or to terminate their farming operations, could materially and adversely affect our financial condition, results of operations, cash flow and ability to make distributions to our stockholders.

As of the date of this Annual Report, approximately 17.6% of the total acres in our portfolio are leased to entities controlled by James C. Justice. Additionally, approximately 7.8% of the total acres (representing an aggregate of approximately are leased to Astoria Farms and Hough Farms (entities controlled by Jesse J. Hough, who provides consulting services to us). Therefore, the success of our business will depend in part upon the profitability of these entities' farming operations and their ability to meet their obligations to us. In the event these affiliates are unable to meet their obligations to us, whether as a result of a downturn in the profitability of their farming operations or otherwise, our financial condition, results of operations, cash flow and ability to make distributions to our stockholders could be materially adversely affected.

Moreover, these entities may determine to not renew their leases with us at the end of the lease term or to terminate their farming operations, whether as a result of a downturn in the profitability of their farming operations or otherwise, in which case, a substantial number of our properties would become vacant at the same time. In the event such a situation develops in the future, we may not have sufficient infrastructure in place to successfully identify suitable tenants to lease a large number of properties on an expedited basis, which may cause us to have vacant properties or negotiate lease terms less favorable to us.

Our failure to continue to identify and consummate suitable acquisitions would significantly impede our growth and our ability to further diversify our portfolio by geography, crop type and tenant, which would materially and adversely affect our results of operations and cash available for distribution to our stockholders.

Our ability to continue to expand through acquisitions is integral to our business strategy and requires that we identify and consummate suitable acquisition or investment opportunities that meet our investment criteria and are compatible with our growth strategy. We compete for the acquisition of farmland and properties related to farming with many other entities engaged in agricultural and real estate investment activities, including individual and family operators of farming businesses, corporate agriculture companies, financial institutions, institutional pension funds, public REITs, other real estate companies, private equity funds and other private real estate investors. These competitors may prevent us from acquiring desirable properties or may cause an increase in the price we must pay for such properties. Our competitors may have greater resources than we do and may be willing to pay more for certain assets or may have a more compatible operating philosophy with our acquisition targets. In particular, larger institutions may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Our competitors may also adopt transaction structures similar to ours, which would decrease our competitive advantage in offering flexible transaction terms. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties. If we pay higher prices for properties, our profitability may decrease, and you may experience a lower return on your investment. Our failure to identify and consummate suitable acquisitions would significantly impede our growth and our ability to further diversify our portfolio by geography, crop type and tenant, which would materially and adversely affect our results of operations and cash available for distribution to our stockholders.

We do not intend to continuously monitor and evaluate tenant credit quality and our financial performance may be subject to risks associated with our tenants' financial condition and liquidity position.

Certain of our leases do not require the full payment of rent in cash in advance of the planting season, which subjects us to credit risk exposure to our farm-operator tenants and the risks associated with farming operations, such as weather, commodity price fluctuations and other factors. We also are exposed to these risks with respect to leases for which the rent is based on a percentage of a tenant's farming revenues and leases with terms greater than one year. Because we do not intend to monitor and evaluate the credit risk exposure related to farm-operator tenants on an ongoing basis, we are subject to the risk that our tenants, particularly those that may depend on debt and leverage to finance their operations, could be susceptible to bankruptcy in the event that their cash flows are insufficient to satisfy their financial obligations, including meeting their obligations to us under their leases. As a result, we may not become aware of a tenant's financial distress

until the tenant fails to make payments to us when due, which may significantly reduce the amount of time we have to evict the tenant and re-lease the farmland to a new tenant before the start of the spring planting season, and in the event of a tenant bankruptcy we may not be able to terminate the lease. If we are unable to re-lease the farmland on a timely basis, it could have a material adverse effect on our revenues.

Some state laws prohibit or restrict the ownership of agricultural land by business entities, which could impede the growth of our portfolio and our ability to diversify geographically.

Certain states, including Iowa, North Dakota, South Dakota, Minnesota, Oklahoma, Wisconsin, Missouri and Kansas, in which a substantial amount of primary crop farmland is located, have laws that prohibit or restrict to varying degrees the ownership of agricultural land by corporations or business entities like us. As of December 31, 2015, we owned 1,642 acres of farmland in Kansas, and our ownership of those farms may be challenged under Kansas law, in which case we may be required to sell those farms at an unfavorable time and on unfavorable terms. Additional states may, in the future, pass similar or more restrictive laws, and we may not be legally permitted, or it may become overly burdensome or expensive, to acquire properties in these states, which could impede the growth of our portfolio and our ability to diversify geographically in states that might otherwise have attractive investment opportunities.

Failure to succeed in new markets may have adverse consequences.

At the time of initial public offering in April 2014, substantially all of our farms were located in Illinois and Nebraska, with one farm in Colorado. Since our initial public offering, we have acquired farms in new markets, including Arkansas, South Carolina, Mississippi, Louisiana, Virginia, North Carolina, Georgia, Texas, and Michigan. We intend to continue to acquire properties in new geographic locations across the U.S., and intend to evaluate potential international acquisitions. When we acquire properties located in new geographic areas in the U.S. or internationally, or properties primarily devoted to a crop or industry with which we are less familiar (such as certain specialty crops, energy production, dairy farms or hog farms), we may face risks associated with a lack of market knowledge or understanding of the local market, including the availability and identity of quality tenants, forging new business relationships in the area, developing an understanding of a crop unfamiliar to us, and unfamiliarity with local or crop-specific government requirements and procedures. Furthermore, the negotiation of a potential expansion into new markets or industries may divert management time and other resources. As a result, we may have difficulties executing our business strategy in these new markets, which could have a negative impact on our results of operations and ability to make distributions to our stockholders.

We have experienced and expect to continue to experience rapid growth and may not be able to adapt our management and operational systems to respond to the integration of properties and investments without unanticipated disruption or expense, which could have a material adverse effect on our business, financial condition, results of operations and ability to make distributions to our stockholders.

We have experienced and expect to continue to experience rapid growth through acquisitions and other investments. It is possible that as our business continues to grow, we will need to continue making significant new investments in personnel and infrastructure to support that growth. We may not be able to adapt our management, administrative, accounting and operational systems or hire and retain sufficient operational staff to manage such acquisitions and investments without operating disruptions or unanticipated costs. Our failure to successfully manage our growth could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our short-term leases make us more susceptible to any decreases in prevailing market rental rates than would be the case if we entered into longer-term leases, which could have a material adverse effect on our results of operations and ability to make distributions to our stockholders.

All of our leases with tenants engaged in farming operations have terms ranging from one to five years, and we expect that most of the leases we enter into in the future will have one to seven -year terms. As a result, we will be required to frequently re-lease our properties upon the expiration of our leases, which will make us more susceptible to declines in market rental rates than we would be if we were to enter into longer term leases. As a result, any decreases in the prevailing

market rental rates in the geographic areas in which we own properties could have a material adverse effect on our results of operations and ability to make distributions to our stockholders.

Long-term leases, such as our solar and wind leases, could expose us to various risks, including interest rate risk and the risk of being unable to take advantage of prevailing market rates, which could have a material adverse effect on our results of operations and ability to make distributions to our stockholders.

As of the date of this Annual Report, we had two leases in place for solar farms and one lease for a wind farm with terms ranging from 20 to 25 years, with potential for extensions. Under the solar and wind leases, the tenants have the ability to use portions of our farms for the production of solar or wind energy rather than for farming operations. We intend to continue to evaluate alternative uses for our farms, and we may enter into additional long-term leases for portions of our farms. Under such long-term leases, the rental rate generally is fixed with periodic rent escalations and, as a result, we are subject to interest rate risk in the event interest rates rise at a greater rate than any potential rent escalations. In addition, by entering into long-term leases, we are subject to the risk that we will not be able to increase our rental rates if prevailing land values or rental rates have increased. Any inability to take advantage of increases in prevailing land values or rental rates could have a material adverse effect on our results of operations and ability to make distributions to our stockholders.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us may be difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions may be limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located, in each case may limit our ability to dispose of a property. Moreover, our ability to dispose of certain of our properties within a specific time period is subject to certain limitations imposed by our tax protection agreement.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Moreover, if we acquire properties from C corporations (i.e., corporations generally subject to full corporate-level tax) in certain non-taxable transactions, as was the case with our acquisition of the Hudye Farm in 2014, built-in gain recognized on the non-taxable disposition of such properties within 10 years of our acquisition will be subject to tax at the highest applicable U.S. federal corporate income tax rate. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

If our properties do not have access to adequate water supplies, it could harm our ability to lease the properties for farming on favorable terms or at all, which could have a material adverse impact on the value of our properties and our results of operations and ability to make distributions to our stockholders.

Farmland and properties related to farming require access to sufficient water to make the property suitable for farming. Although we expect to acquire properties with sufficient water access, there may be a need to drill additional wells in the future, and we would be required to obtain permits prior to drilling such wells. Permits for drilling water wells are required by state and county regulations, and such permits may be difficult or costly to obtain, particularly in areas where there is a limited supply of water. In addition, there can be no assurance that additional wells will produce sufficient water supplies to support farming operations adequately. Similarly, our properties may be subject to governmental regulations relating to the quality and disposition of rainwater runoff or other water to be used for irrigation, and we could incur costs in order to retain this water and comply with such regulations. If we are unable to obtain or maintain sufficient water supplies for our properties, or the costs incurred to obtain or maintain the water supplies cause the farming operation to be less profitable,

we may not be able to lease our properties for farming on favorable terms or at all, which could have a material adverse impact on the value of our properties and our results of operations and ability to make distributions to our stockholders.

Our farms are subject to adverse weather conditions, seasonal variability, crop disease and other contaminants, which may affect our tenants' ability to pay rent and thereby have an adverse effect on our results of operations, financial condition, and our ability to make distributions to stockholders.

Crops are vulnerable to adverse weather conditions, including windstorms, tornados, floods, drought and temperature extremes, which are quite common but difficult to predict. Unfavorable growing conditions can reduce both crop size and crop quality. Seasonal factors, including supply and consumer demand, may also have an effect on the crops grown by our tenants. In extreme cases, entire harvests may be lost in some geographic areas.

In addition, crops are vulnerable to crop disease, pests and other contaminants. Damages to tenants' crops from crop disease and pests may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions. The costs to control these infestations vary depending on the severity of the damage and the extent of the plantings affected. These infestations can increase the costs and decrease the revenues of our tenants. Tenants may also incur losses from product recalls, fines or litigation due to other contaminants that may cause food borne illness. It is difficult to predict the occurrence or severity of such product recalls, fines or litigation as well as their impact upon our tenants.

Although we typically lease our properties on a fixed-rent basis that does not change based on the success of the farming operations, we also utilize variable-rent leases pursuant to which the amount of the rent depends on crop yields and prices in regions where such arrangements are prevalent. In any case, adverse weather conditions, seasonal variability, crop disease, pests and other contaminants could adversely affect our tenants' ability to continue to meet their obligations to us and our ability to lease or re-lease properties on favorable terms, or at all, which could have a material adverse effect on the value of our properties, our results of operations, financial condition, and our ability to make distributions to our stockholders.

In the past, the market prices of the crops that our tenants may produce on our agricultural properties have been volatile, which may affect our tenants' ability to pay rent and thereby have an adverse effect on our results of operations and our ability to make distributions to stockholders.

The value of a crop is affected by many factors that can differ on a yearly basis. The unpredictability of weather and crop disease in the major crop production regions worldwide creates a significant risk of price volatility, which may either increase or decrease the value of the crops that our tenants produce each year. Other material factors adding to the volatility of crop prices are changes in government regulations and policy, fluctuations in global prosperity, fluctuations in foreign trade and export markets, and eruptions of military conflicts or civil unrest. Although rental payments under the majority of our leases typically are not based on the quality or profitability of our tenants' harvests, any of these factors could adversely affect our tenants' ability to meet their obligations to us and our ability to lease or re-lease properties on favorable terms, or at all, which could have a material adverse effect on the value of our properties, our results of operations and our ability to make distributions to our stockholders.

The future effects of climate change could adversely impact the value of our properties and our results of operations.

In addition to the general risks that adverse weather conditions pose for the tenants of our properties, the value of our properties and the operations of our tenants may be subject to risks associated with long-term effects of climate change. Many climatologists have predicted that the impacts of climate change could include increases in average temperatures, more extreme temperatures, changes in rainfall patterns, severe droughts, and increases in volatile weather over time. Such effects of climate change could make our properties less profitable for farming or other alternative uses, which could adversely impact the value of our properties, our results of operations and our ability to make distributions to our stockholders.

Adverse changes in government policies related to farming, including decreases in farm subsidies, tax incentives or the percentage of ethanol that must be blended into fuel, could reduce prices of crops and the profitability of farming operations, which could materially and adversely affect the value of our properties and our results of operations.

There are a number of government programs that provide subsidies and tax and other incentives to farm operators. Some of these programs have been in operation since the 1930s and were intended to stabilize the income to farm operators and protect them from agricultural setbacks such as wind damage, floods, drought and crop disease. In addition, in recent years both the U.S. federal government and certain state governmental agencies have required that transportation fuel sold in the United States contain a minimum volume of renewable fuel, including ethanol. These renewable fuel requirements have caused ethanol demand to increase substantially, which in turn has had a positive impact on the price of corn and primary crop farmland prices in general. The elimination or reduction of any of these subsidies or other incentives, the widespread use of other forms of renewable fuel or reduction in renewable fuel requirements in the future could reduce the prices of crops and the profitability of farming operations, which could materially and adversely impact the value of our farms and our ability to lease them on favorable terms, or at all, which would have a material adverse effect on our results of operations.

Acquiring farmland and properties related to farming during periods when such properties are experiencing substantial inflows of capital and intense competition may result in inflated purchase prices and increase the likelihood that our properties will not appreciate in value and may, instead, decrease in value.

The allocation of substantial amounts of capital for investment in farmland and farming related properties and significant competition for income-producing real estate may inflate the purchase prices for such assets. If we acquire properties in such an inflated environment, it is possible that the value of our assets may not appreciate and may, instead, decrease in value, perhaps significantly, below the amount we paid for such assets. In addition to macroeconomic and local economic factors, technical factors, such as a decrease in the amount of capital allocated to the purchase of farmland and farming related properties and the number of investors participating in the sector, could cause the value of our assets to decline.

Investments in farmland used for permanent crops have a higher risk profile than farmland used for annual row crops.

As of the date of this Annual Report, two of our farms are used for permanent crops, and, in the future, we may add to our investments in farmland used for permanent crops, as opposed to annual row crops. Permanent crops have plant structures (such as trees, vines or bushes) that produce yearly crops without being replanted. Examples include blueberries, oranges, apples, almonds and grapes. Permanent crops involve more risk than annual row crops because permanent crops require more time and capital to plant and bear fruit, are more expensive to replace and are more susceptible to disease and poor weather. If a farmer loses a permanent crop to drought, flooding, fire or disease, there generally would be significant time and capital needed to return the land to production because a tree or vine may take years to grow before bearing fruit.

Permanent crop farmland also prevents the farmer from being able to rotate crop types to keep up with changing market conditions or changes to the weather or soil. If demand for one type of permanent crop decreases, the permanent crop farmer cannot easily convert the farm to another type of crop because permanent crop farmland is dedicated to one crop during the lifespan of the trees or vines and therefore cannot easily be rotated to adapt to changing environmental or market conditions.

In addition, permanent crops, which can generally endure long periods of time from harvest to consumption, allow for global shipment and trade. As a result, permanent crops are usually less insulated from the global market volatility than annual row crops. This will generally provide for less price stability of the harvested crop and therefore less stability of the underlying land value for cropland producing permanent crops. As a result, permanent crop farms have a higher risk profile than annual row crop farms.

If consumer demand for the permanent specialty crops grown on our farms decreases, the underlying values of our permanent specialty crop farms may decrease and our tenants may not be able to pay their rents as they come due.

We currently own two permanent specialty crop farms, and in the future we intend for our portfolio to consist of approximately 20% specialty crop farms (as significant portion of which is expected to consist of annual specialty crops, where this risk does not apply). If consumer demand for the permanent specialty crops grown on our farms decreases, the underlying value of those permanent specialty crop farms could also decrease. Additionally, to the extent we do not require upfront rent payments from tenants on our permanent specialty crop farms, upon a drop in permanent specialty crop prices, our tenants may not be able to make their rent payments as they come due.

If the U.S. Federal Reserve or other central banks embark on a substantial tightening of monetary policy in the future that causes real interest rates to rise substantially, it may cause land prices to decline if the rise in real interest rates is not accompanied by rises in the general levels of inflation.

A substantial tightening of monetary policy by the U.S. Federal Reserve or other central banks would increase credit costs (through the resulting increase in interest rates) and decrease credit availability. This could hurt farm operators because higher real interest rates make it more difficult for farm operators to qualify for loans and increase their borrowing costs. Higher interest rates also tend to decrease U.S. and world economic growth, thus decreasing the demand for agricultural commodities.

All of these consequences could reduce farm income. If increases in real interest rates (which is defined as nominal interest rates minus the inflation rate) are not accompanied by higher levels of farm income and rents, this could lead to declines in agricultural land values and a reduction in our profitability, either of which would have a material adverse effect on our business or results of operations, financial condition, and ability to make distributions to our stockholders.

The loss of key management personnel, particularly Paul A. Pittman and Luca Fabbri, could have a material adverse effect on our ability to implement our business strategy and to achieve our investment objectives.

Our future success depends to a significant extent on the continued service and coordination of our senior management team, which is comprised of Paul A. Pittman, our Executive Chairman, President and Chief Executive Officer, and Luca Fabbri, our Chief Financial Officer. We can provide no assurances that any of our key personnel will continue their employment with us. The loss of services of Messrs. Pittman and Fabbri could have a material adverse effect on our ability to implement our business strategy and to achieve our investment objectives.

We have limited operating history as a REIT and a publicly traded company, and we cannot assure that the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company.

We have limited operating history as a REIT and a publicly traded company. We cannot assure you that the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet the disclosure requirements of the SEC. We are required to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT, satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with the NYSE listing standards, and this transition could place a significant strain on our management systems, infrastructure and other resources. Our failure to operate successfully as a public company or to maintain our qualification as a REIT could materially adversely impact our business, results of operations and financial condition. See "—U.S. Federal Income Tax Risks—Failure to maintain our qualification as a REIT for U.S. federal income tax purposes would subject us to U.S. federal income tax on our taxable income at regular corporate rates, which would substantially reduce our ability to make distributions to our stockholders."

We have incurred and will continue to incur new costs as a result of being a public company, and such costs may increase if and when we cease to be an "emerging growth company," which could adversely impact our results of operations.

As a public company, we incur significant legal, accounting, insurance and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the NYSE and

other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased demand on our systems and resources. As a result, our executive officers' attention may be diverted from other business concerns, which could adversely affect our business and results of operations. In addition, the expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect compliance with these public reporting requirements and associated rules and regulations to increase expenses, particularly after we are no longer an emerging growth company, although we are currently unable to estimate these costs with any degree of certainty. We could be an emerging growth company until December 31, 2019, although circumstances could cause us to lose that status earlier, which could result in our incurring additional costs applicable to public companies that are not emerging growth companies.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of our executive officers' time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

If we fail to maintain effective internal control over financial reporting, we may not be able to accurately report our financial results, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. After we are no longer an emerging growth company under the JOBS Act, Section 404 of the Sarbanes-Oxley Act requires our auditors to deliver an attestation report on the effectiveness of our internal control over financial reporting in conjunction with their opinion on our audited financial statements. Substantial work on our part is required to implement appropriate processes, document the system of internal control over key processes, assess their design, remediate any deficiencies identified and test their operation. This process is expected to be both costly and challenging. We cannot give any assurances that material weaknesses will not be identified in the future in connection with our compliance with the provisions of Section 404 of the Sarbanes-Oxley Act. The existence of any material weakness would preclude a conclusion by management and our independent auditors that we maintained effective internal control over financial reporting. Our management may be required to devote significant time and expense to remediate any material weaknesses that may be discovered and may not be able to remediate any material weakness in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, all of which could lead to a decline in the per-share trading price of our common stock

We depend on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability to, among other things, acquire additional properties, meet our capital and operating needs or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

In order to maintain our qualification as a REIT, we are required under the Code to, among other things, distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including acquisition opportunities and principal and interest payments on any outstanding debt, from operating cash flow. Consequently, we rely on third-party sources to fund our

capital needs. We may not be able to obtain such financing on favorable terms, in the time period we desire, or at all. Any debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise (including the issuance of OP units) could be dilutive to existing stockholders. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- our debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to qualify and maintain our qualification as a REIT.

Under the FPI Loan Program, we provide loans to third-party farmers, which exposes us to risks associated with being a lender, including the risk that borrowers default on their obligations to us, which could adversely affect our results of operations and financial condition.

Under the FPI Loan Program, which was announced in August 2015, we make loans to third-party farmers (both tenant and non-tenant) to provide partial financing for working capital requirements and operational farming activities, farming infrastructure projects, and for other farming and agricultural real estate related purposes. The loans are expected to be collateralized by farm real estate. As of the date of this Annual Report, we have made two senior secured first-lien mortgage loans to farmers totaling \$2,980,000, with \$2,780,000 outstanding at December 31, 2015, under the FPI Loan Program, and we intend to make similar loans in the future. Payments on such loans depend on the profitable operation or management of the farmland or farmland-related property securing the loan. The success of the farmland or farm-related property may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. If a borrower defaults under a mortgage loan for which we are the lender, we may attempt to foreclose on the collateral securing the loan, including by acquiring title to the subject property, to protect our investment. In response, the defaulting borrower may contest our enforcement of foreclosure or other available remedies, seek bankruptcy protection against our exercise of enforcement or other available remedies, or bring claims against us for lender liability. If a defaulting borrower seeks bankruptcy protection, the automatic stay provisions of the U.S. Bankruptcy Code would preclude us from enforcing foreclosure or other available remedies against the borrower unless relief is first obtained from the court with jurisdiction over the bankruptcy case. In addition, we may be subject to intercreditor agreements that delay, impact, govern or limit our ability to foreclose on a lien securing a loan or otherwise delay or limit our pursuit of our rights and remedies. Any such delay or limit on our ability to pursue our rights or remedies could adversely affect our business, results of operations and ability to make distributions to our stockholders. In the event of a foreclosure, we may assume direct ownership of the underlying farm. Even if we successfully foreclose on the collateral securing our mortgage loans, foreclosure-related costs, high loan-to-value ratios or declines in property values could prevent us from realizing the full amount of our mortgage loans, and we could be required to record a valuation allowance for such losses.

We may be subject to litigation or threatened litigation, which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may be subject to litigation or threatened litigation, including claims relating to the actions of our tenants and otherwise in the ordinary course of business. In particular, we are subject to the risk of complaints by our tenants involving premises liability claims and alleged violations of landlord-tenant laws, which may give rise to litigation or governmental investigations, as well as claims and litigation relating to real estate rights or uses of our properties. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Additionally, whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant, or involve our agreement with terms that restrict the operation of our business. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of those claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage and could expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors, which could adversely impact our results of operations, cash flows and our ability to pay distributions on, and the value of, our common stock.

Liability for uninsured or underinsured losses could adversely affect our financial condition and cash flow.

Our properties may be damaged by adverse weather conditions and natural disasters, such as earthquakes, floods and tornados. Our insurance may not be adequate to cover all damages or losses from these events, or we may view it as not economically prudent to purchase insurance for certain types of losses. Should an uninsured loss occur, we could lose our capital investment or anticipated profits and cash flows from one or more properties. If any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss, which could have an adverse effect on our cash flow.

Potential liability for environmental matters could adversely affect our financial condition.

We are subject to the risk of liabilities under federal, state and local environmental laws applicable to agricultural properties, including those related to wetlands, groundwater and water runoff. Some of these laws could subject us to:

- responsibility and liability for the cost of removal or remediation of hazardous substances released on our properties, generally without regard to our knowledge of or responsibility for the presence of the contaminants;
- liability for the costs of investigation, removal or remediation of hazardous substances or chemical releases at disposal facilities for persons who arrange for the disposal or treatment of these substances; and
- potential liability for claims by third parties for damages resulting from environmental contaminants.

Environmental site assessments were not conducted on the farms in our portfolio and we do not expect to conduct environment site assessments on farms we acquire in the future. Our costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of our properties, or the failure to properly remediate a contaminated property, could adversely affect our ability to sell or lease the property or to borrow using the property as collateral. We may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Additionally, we could become subject to new, stricter environmental regulations, which could diminish the utility of our properties and have a material adverse impact on our results of operations.

We may be required to permit the owners of the mineral rights on our properties to enter and occupy parts of the properties for the purposes of drilling and operating oil or gas wells, which could adversely impact the rental value of our properties.

Although we own the surface rights to our farms and expect to own the surface rights to properties that we acquire, other persons may own the rights to any minerals, such as oil and natural gas, that may be located under the surfaces of these properties. For example, in connection with our acquisition of the Hudye Farm, we granted the seller 50% of the mineral rights related to the farm. Currently there is no mineral development on the farms in our portfolio, but we can provide no assurances that third parties will not assert claims for mineral rights on the farms in our portfolio or that farmland that we acquire in the future will not be subject to third-party mineral rights. To the extent that third parties have mineral rights on farmland that we currently own or acquire in the future, we expect that we would be required to permit third parties to enter our properties for the purpose of drilling and operating oil or gas wells on the premises. We will also be required to set aside a reasonable portion of the surface area of our properties to accommodate these oil and gas operations. The devotion of a portion of our properties to these oil and gas operations would reduce the amount of the surface available for farming or farm-related uses. Such activities might also disrupt the productivity of the farmland or property related to farming or increase the risk of environmental liabilities, any of which could adversely impact the rents that we receive from leasing these properties.

Increases in mortgage rates or unavailability of mortgage debt may make it difficult for us to finance or refinance our debt, which could have a material adverse effect on our financial condition, results of operations, growth prospects and our ability to make distributions to stockholders.

If mortgage debt is unavailable to us at reasonable rates or at all, we may not be able to finance the purchase of additional properties or refinance existing debt when it becomes due. If interest rates are higher when we refinance our debt, our income and cash flow could be reduced, which would reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance our debt when it becomes due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreement, which could trigger an obligation to indemnify certain parties under the tax protection agreement.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

As of December 31, 2015 and March 10, 2016, we had approximately \$187.2 million and \$237.2 million, respectively, of outstanding mortgage indebtedness. We intend to finance future property acquisitions, in part, with mortgage indebtedness. Mortgage and other secured debt obligations increase our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. Foreclosures could also trigger our tax indemnification obligations under the terms of our tax protection agreement with respect to the sales of certain properties.

Our debt financing agreements restrict our ability to engage in certain business activities, including our ability to incur additional indebtedness, make capital expenditures and make certain investments.

Our existing debt financing agreements contain, and other debt financing agreements we may enter into in the future may contain, customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;

- restrict our ability to incur additional liens;
- restrict our ability to make certain investments (including certain capital expenditures);
- restrict our ability to merge with another company;
- restrict our ability to sell or dispose of assets;
- restrict our ability to make distributions to stockholders; and
- require us to satisfy minimum financial coverage ratios, minimum tangible net worth requirements and maximum leverage ratios.

In addition, the agreements related to our \$53.0 million bridge loan prohibit us during the term of the loan from (i) incurring additional indebtedness, subject to certain exceptions (including indebtedness of up to \$6.0 million for property acquisitions) and (ii) making investments in excess of \$10.0 million in the aggregate without the prior written consent of the lender, subject to certain limited exceptions. These limitations restrict our ability to engage in certain business activities, which could materially adversely affect our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations. In addition, a violation of these covenants, after any applicable cure period, would permit the lenders to, among other things, accelerate payment of all amounts outstanding under the loans and to exercise their remedies with respect to the collateral, including foreclosure and sale of the agricultural real estate securing the loans.

We may be unable to collect balances due on our leases from any tenants in bankruptcy, which could adversely affect our financial condition, results of operations and cash flow.

We are subject to tenant credit risk. Our tenants, particularly those that may depend on debt and leverage, could be susceptible to bankruptcy in the event that their cash flows are insufficient to satisfy their financial obligations, including meeting their obligations to us under their leases. A tenant in bankruptcy may be able to restrict our ability to collect unpaid rent and interest during the bankruptcy proceeding and may reject the lease. If a bankrupt tenant rejects a lease with us, any claim we might have for breach of the lease, excluding a claim against collateral securing the lease, would be treated as a general unsecured claim. Our claim would likely be capped at the amount the tenant owed us for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year of lease payments or 15% of the remaining lease payments payable under the lease, but in no case more than three years of lease payments. In addition, a tenant may assert in a bankruptcy proceeding that its lease should be re-characterized as a financing agreement. If such a claim is successful, our rights and remedies as a lender, compared to a landlord, will generally be more limited. In the event of a tenant bankruptcy, we may also be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of our properties, avoid the imposition of liens on our properties or transition our properties to a new tenant. In the event of the tenant's breach of its obligations to us or its rejection of the lease in bankruptcy proceedings, we may be unable to locate a replacement tenant in a timely manner or on comparable or better terms. As a result, our financial condition, results of operations and ability to make distributions to our stockholders could be adversely affected if a tenant declares bankruptcy.

If our tenants fail to comply with applicable labor regulations, it could have an adverse effect on our tenants' ability to make rental payments to us and, in turn, our ability to make distributions to our stockholders.

State, county and federal governments have implemented a number of regulations governing labor practices used in connection with farming operations. For example, these regulations seek to provide for minimum wages and minimum and maximum work hours, as well as to restrict the hiring of illegal immigrants. If one of our tenants is accused of violating, or found to have violated such regulations, it could have a material adverse effect on the tenant's results of operations, which could adversely affect its ability to make its rental payments to us and, in turn, our ability to make distributions to our stockholders.

The inability to execute our business plan of continuously leasing our properties on favorable economic and other terms would materially and adversely affect our results of operations and cash available for distribution to stockholders.

There can be no assurance that we will be able to continue to identify suitable third-party tenants or negotiate acceptable lease terms for properties we acquire in the future or upon expiration of existing leases. In some instances, we may not be able to negotiate for the full payment of rent in advance of each spring planting season, which could increase

our exposure to credit risk of our farm-operator tenants and the risks associated with farming operations, such as weather, commodity price fluctuations and other factors described above under "—Our business is dependent in part upon the profitability of our tenants' farming operations, and any downturn in the profitability of their farming operations could have a material adverse effect on the amount of rent we can collect and, consequently, our cash flow and ability to make distributions to our stockholders."

Even for our leases that require payment of all or a substantial portion of annual rent in advance of each spring planting season, in the event of a default by the tenant in payment of the annual rent when due, there can be no assurance that we would be able to timely locate a new tenant and obtain acceptable lease terms before the spring planting season, in which event our lease revenue from any affected property would likely be substantially decreased.

We engage in farming operations on certain of our farms through our taxable REIT subsidiary instead of leasing such farms to third-party tenants. A sustained downturn in the profitability of our farming operations could have a material adverse effect on our cash flow and ability to make distributions to our stockholders.

We engage in farming operations through our taxable REIT subsidiary on certain of our farms. The profitability of our custom farming operations could be adversely impacted by, among other things, adverse weather conditions, crop prices, crop disease, pests, contaminants, and unfavorable or uncertain political, economic, business or regulatory conditions. Unlike the majority of our third-party leases, which require 100% of the annual rent to be paid in advance of each spring planting season, we are fully dependent on the success of our farming operations on the custom farm properties to produce revenue from those properties. If our custom farming operations become less profitable there is no guarantee that we will be able to lease the farms to third parties on economically beneficial terms. As a result, any downturn in the profitability of our custom farming operations or a downturn in the farming industry as a whole could have a material adverse effect on our financial condition, results of operations, cash flow and ability to make distributions to our stockholders. For more information about the risks related to farming operations generally see "— Our business is dependent in part upon the profitability of our tenants' farming operations, and any sustained downturn in the profitability of their farming operations could have a material adverse effect on the amount of rent we can collect and, consequently, our cash flow and ability to make distributions to our stockholders."

Risks Related to Our Organizational Structure

We may be subject to unknown or contingent liabilities related to acquired properties and properties that we may acquire in the future, which could have a material adverse effect on us.

Properties that we have acquired, and properties that we may acquire in the future, may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements related to the purchase of properties that we acquire may not survive the completion of the transactions. Furthermore, indemnification under such agreements may be limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these properties may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may materially and adversely affect us.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof. As of the date of this Annual Report, Mr. Pittman owned 7.8 % of the OP units in our operating partnership.

Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, our wholly owned subsidiary, Farmland Partners OP GP, LLC, as the general partner of our operating partnership, has fiduciary duties and obligations to our operating partnership and its limited partners under

Delaware law and the partnership agreement in connection with the management of our operating partnership. The general partner's fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company. These conflicts of interest could lead to decisions that are not in the best interests of the Company and its stockholders.

Unless otherwise provided for in a partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. The partnership agreement provides that, in the event of a conflict between the interests of the limited partners of our operating partnership, on the one hand, and the separate interests of our stockholders, on the other hand, the general partner, in its capacity as the general partner of our operating partnership, shall act in the interests of our stockholders and is under no obligation to consider the separate interests of the limited partners of our operating partnership in deciding whether to cause our operating partnership to take or not to take any actions. The partnership agreement further provides that any decisions or actions not taken by the general partner in accordance with the partnership agreement will not violate any duties, including the duty of loyalty, that the general partner, in its capacity as the general partner of our operating partnership, owes to our operating partnership and its partners.

Additionally, the partnership agreement provides that the general partner will not be liable to our operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner unless the general partner acted in bad faith and the act or omission was material to the matter giving rise to the loss, liability or benefit not derived. Our operating partnership must indemnify the general partner, us, our directors and officers, officers of our operating partnership and others designated by the general partner from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the indemnified person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the indemnified person actually received an improper personal benefit in money, property or services or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action. No reported decision of a Delaware appellate court has interpreted provisions similar to the provisions of the partnership agreement that modify and reduce our fiduciary duties or obligations as the sole member of the general partner or reduce or eliminate our liability for money damages to our operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

Our charter contains certain provisions restricting the ownership and transfer of our stock that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Our charter contains certain ownership limits with respect to our stock. Our charter, among other restrictions, prohibits the beneficial or constructive ownership by any person of more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock, excluding any shares that are not treated as outstanding for U.S. federal income tax purposes. Our Board of Directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from this ownership limit if certain conditions are satisfied. This ownership limit as well as other restrictions on ownership and transfer of our stock in our charter may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; and

- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of certain of the benefits of owning the additional shares.

If we do not obtain stockholder approval for the issuance of shares upon redemption of 1,097,506 OP units and 117,000 Preferred Units issued in connection with two acquisitions, we may be required to redeem the OP units for cash, which could reduce the amount of cash available for distributions to our stockholders. In addition, if we do not have sufficient cash on hand at the time such OP units are tendered for redemption, we may be required to sell additional shares of our common stock in order to have sufficient cash to satisfy the redemption, which may cause dilution to our existing stockholders and adversely affect the market price of our common stock.

Section 312.03(c) of the NYSE Listed Company Manual requires stockholder approval prior to any issuance or sale of common stock, or securities convertible into or exercisable for common stock, in any transaction or series of transactions, if the common stock issued or issuable equals or exceeds 20% of the number of shares of common stock or of the voting power outstanding prior to the issuance. Under the Partnership Agreement, one year after issuance, OP units generally may be tendered for redemption by the holder for cash, or at our option shares of our common stock. However, for purposes of complying with Section 312.03(c) of the NYSE Listed Company Manual, we issued an aggregate of 1,097,506 OP units as partial consideration for the acquisition of the Justice and Forsythe farms, which may be redeemed only for cash. Additionally, we issued 117,000 Preferred Units as partial consideration for the Forsythe farms, which by their terms may be converted to common OP units within ten-years of issuance or upon certain extraordinary transactions. Any common OP units issuable to upon conversion of the Preferred Units will be redeemable for cash only until stockholder approval is obtained allowing for the redemption of such OP units for shares of common stock in excess of the limits prescribed by the NYSE. Redeeming such OP units for cash could reduce the amount of cash we have available for distributions to stockholders. Further, if we do not have sufficient cash on hand at the time the OP units are tendered for redemption, we may be forced to sell additional shares of our common stock in order to raise cash, which could cause dilution to our existing stockholders and adversely affect the market price of shares of our common stock.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval, which may delay, defer or prevent a transaction that our stockholders believe to be in their best interests.

Our Board of Directors, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue. In addition, under our charter, our Board of Directors, without stockholder approval, has the power to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the preference, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption for such newly classified or reclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our Board of Directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under certain circumstances that otherwise

could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or any affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter impose fair price and/or supermajority voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, except solely by virtue of a revocable proxy, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights with respect to their control shares except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

By resolution of our Board of Directors, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our Board of Directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our Board of Directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Additionally, certain provisions of the MGCL permit our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not currently employ. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring, or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price. Our charter contains a provision whereby we elect to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our Board of Directors.

Our charter, our bylaws and Maryland law also contain other provisions, including the provisions of our charter on removal of directors and the advance notice provisions of our bylaws, that may delay, defer, or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Certain provisions in the partnership agreement may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some of our stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights;
- a requirement that the general partner may not be removed as the general partner of our operating partnership without our consent;
- transfer restrictions on OP units;

- our ability, as general partner, in some cases, to amend the partnership agreement and to cause our operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

As of the date of this Annual Report, Mr. Pittman owned approximately 7.8 % of the outstanding OP units in our operating partnership.

Mr. Pittman, our Executive Chairman, President and Chief Executive Officer has outside business interests that may present financial conflicts with us and may adversely affect our business.

Mr. Pittman, our Executive Chairman, President and Chief Executive Officer, retains direct or indirect ownership interests in certain farms in Illinois (consisting of 2,808 total acres) and certain farms in Nebraska (consisting of 792 total acres) that were not acquired by us in the formation transactions related to our initial public offering, due to his family's long-term ownership of those farms and the high proportion of non-tillable acreage of those farms, including pasture land, livestock facilities and land devoted to recreational activities.

In addition, our Board of Directors has adopted a policy, pursuant to which Mr. Pittman and his affiliates have a right to acquire farmland in a total of 15 townships located within Fulton County or Schuyler County in Illinois or Butler County in Nebraska, which are the counties in which the two homestead farms are located, up to a maximum aggregate amount of \$5.0 million annually. Some of the farms in our portfolio are located in townships in which Mr. Pittman and entities controlled by Mr. Pittman will be permitted to acquire farms pursuant to this policy.

The leases with our former related tenants were not negotiated on an arm's-length basis and we may not be able to renew those leases on similar terms or at all now that those tenants are with unaffiliated third parties.

As of the date of this Annual Report, 7.8% of the total acres in our portfolio (representing approximately 12.75 % of our total 2016 contractual rent) are leased to either Astoria Farms or Hough Farms, our former related tenants. At the time the leases with our related tenants were negotiated Mr. Pittman had a 28.3% indirect partnership interest in, and controlled, Astoria Farms, and had an 18.75% indirect partnership interest in Hough Farms. Mr. Hough had a 4.3% indirect partnership interest in Astoria Farms and a 28.3% indirect partnership interest in Hough Farms. Mr. Hough manages the farming operations of both of our former related tenants. As such, the leases between us and our former related tenants, which have terms that range from one to three years, were negotiated between related parties and their terms, including rent payable to us may have been different if they were negotiated with unaffiliated third parties. On March 11, 2016, Mr. Pittman and Jesse J. Hough (on behalf of himself and certain other entities he controls) entered into an agreement pursuant to which, effective December 31, 2015, Mr. Pittman ceased to hold any direct or indirect interests in, or have control of, Astoria Farms, Hough Farms and American Agriculture Corporation.

Our tax protection agreement could limit our ability to sell or otherwise dispose of certain properties.

In connection with the formation transactions related to our initial public offering, our operating partnership entered into a tax protection agreement that provides that if we dispose of any interest in the protected initial properties in a taxable transaction prior to the fifth (with respect to certain properties) or seventh (with respect to certain other properties) anniversary of the completion of the formation transactions, subject to certain exceptions and unless such obligation terminates sooner under the agreement, we will indemnify Pittman Hough Farms for its tax liabilities attributable to the built-in gain that exists with respect to such property interests as of the time of our initial public offering, and the tax liabilities incurred as a result of such tax protection payment. We also have agreed to use our best efforts to continue to comply with such obligations with respect to those properties subject to the seven-year protection period after the expiration of such period (unless such obligation otherwise was terminated under the agreement). In addition, we may enter into similar tax protection agreements in the future if we issue OP units in connection with the acquisition of properties. Therefore, although it may be in our stockholders' best interests that we sell one of these properties, it may be

economically prohibitive for us to do so because of these obligations. Furthermore, for the protected initial properties that have an initial seven-year tax protection period, our best efforts obligation to Pittman Hough Farms significantly limits our ability to dispose of those properties after the initial seven-year tax protection period without payment of the tax indemnification amount to Pittman Hough Farms.

Our tax protection agreement may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Under our tax protection agreement, our operating partnership is required to provide Pittman Hough Farms the opportunity to guarantee debt or enter into deficit restoration obligations at both the consummation of the formation transactions related to our initial public offering and the completion of this offering (if needed) and upon a future repayment, retirement, refinancing or other reduction (other than scheduled amortization) of currently outstanding debt prior to the seventh anniversary of the completion of the formation transactions unless such obligation terminates sooner under the agreement. We also have agreed to use our best efforts to continue to provide such opportunities after the expiration of such seven-year period (unless such obligation otherwise was terminated under the agreement). If we fail to make such opportunities available, we will be required to deliver to Pittman Hough Farms a cash payment intended to approximate its tax liability resulting from our failure to make such opportunities available to Pittman Hough Farms and the tax liabilities incurred as a result of such tax protection payment. We agreed to these provisions in order to assist the members of Pittman Hough Farms in deferring the recognition of taxable gain as a result of and after the formation transactions, and we may agree to similar provisions in the future if we issue OP units in connection with the acquisition of properties. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

Our Board of Directors may change our strategies, policies and procedures without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment, financing, leverage and distribution policies, and our policies with respect to all other activities, including growth, capitalization and operations, are determined exclusively by our Board of Directors, and may be amended or revised at any time by our Board of Directors without notice to or a vote of our stockholders. This could result in us conducting operational matters, making investments or pursuing different business or growth strategies than those contemplated in this Annual Report. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our Board of Directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could materially adversely affect our financial condition, results of operations and cash flow.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event that we take certain actions which are not in our stockholders' best interests.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner that he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under the MGCL, directors are presumed to have acted with this standard of care. As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our charter and bylaws obligate us to indemnify each present and former director or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our directors and officers. We also have entered into indemnification agreements with our officers and directors granting them express indemnification rights. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter, bylaws and indemnification agreements or that might exist for other public companies.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our senior management and may prevent a change in control of our company that is in the best interests of our stockholders. Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of two-thirds of all the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our senior management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our stockholders.

Our operating partnership may issue additional OP units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and could have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

As of the date of this Annual Report, we owned approximately 64% of the outstanding OP units in our operating partnership (on a fully diluted basis). Since our initial public offering, we have issued a total of 4,840,991 OP units as consideration in connection with our acquisition of properties, and we may issue additional OP units in connection with our acquisition of properties, as compensation or otherwise. Such issuances would reduce our ownership percentage in our operating partnership and could affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Our common stockholders do not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

U.S. Federal Income Tax Risks

Failure to maintain qualification as a REIT for U.S. federal income tax purposes would subject us to U.S. federal income tax on our taxable income at regular corporate rates, which would substantially reduce our ability to make distributions to our stockholders.

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our short taxable year ended December 31, 2014. To maintain qualification as a REIT, we must meet various requirements set forth in the Code concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income and the amount of our distributions. The REIT qualification requirements are extremely complex, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. We believe that our current organization and method of operation will enable us to continue to qualify, as a REIT. However, at any time, new laws, interpretations or court decisions may change the U.S. federal tax laws relating to, or the U.S. federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to determine that it is not in our best interest to qualify as a REIT and to revoke our REIT election, which it may do without stockholder approval.

If we fail to qualify as a REIT for any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular corporate rates. In addition, we generally would be disqualified from treatment as a REIT for the four taxable years following the year in which we lost our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution because of the additional tax liability. In addition, distributions would no longer

qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and would substantially reduce our ability to make distributions to you.

To qualify as a REIT and to avoid the payment of U.S. federal income and excise taxes, we may be forced to borrow funds, use proceeds from the issuance of securities, pay taxable dividends of our stock or debt securities or sell assets to make distributions, which may result in our distributing amounts that may otherwise be used for our operations.

To obtain the favorable tax treatment accorded to REITs, we normally are required each year to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and by excluding net capital gains. We will be subject to U.S. federal income tax on our undistributed taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on acquisitions of properties and it is possible that we might be required to borrow funds, use proceeds from the issuance of securities, pay taxable dividends of our stock or debt securities or sell assets in order to distribute enough of our taxable income to maintain our qualification as a REIT and to avoid the payment of U.S. federal income and excise taxes.

Future sales of properties may result in penalty taxes or may be made through TRSs, each of which would diminish the return to you.

It is possible that one or more sales of our properties may be "prohibited transactions" under provisions of the Code. If we are deemed to have engaged in a "prohibited transaction" (*i.e.* , we sell a property held by us primarily for sale in the ordinary course of our trade or business), all income that we derive from such sale would be subject to a 100% tax. The Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% tax. A principal requirement of the safe harbor is that the REIT must hold the applicable property for not less than two years prior to its sale for the production of rental income. It is entirely possible that a future sale of one or more of our properties will not fall within the prohibited transaction safe harbor.

If we acquire a property that we anticipate will not fall within the safe harbor from the 100% penalty tax upon disposition, we may acquire such property through a TRS in order to avoid the possibility that the sale of such property will be a prohibited transaction and subject to the 100% penalty tax. If we already own such a property directly or indirectly through an entity other than a TRS, we may contribute the property to a TRS. Though a sale of such property by a TRS likely would mitigate the risk of incurring a 100% penalty tax, the TRS itself would be subject to regular corporate income tax at the U.S. federal level, and potentially at the state and local levels, on the gain recognized on the sale of the property as well as any income earned while the property is operated by the TRS. Such tax would diminish the amount of proceeds from the sale of such property ultimately distributable to you. Our ability to use TRSs in the foregoing manner is subject to limitation. Among other things, the value of our securities in TRSs may not exceed 25% (20% for taxable years beginning after December 31, 2017) of the value of our assets and dividends from our TRSs, when aggregated with all other non-real estate income with respect to any one year, generally may not exceed 25% of our gross income with respect to such year. No assurances can be provided that we would be able to successfully avoid the 100% penalty tax through the use of TRSs.

In addition, if we acquire any asset from a C corporation (*i.e.* , a corporation generally subject to full corporate-level tax) in a merger or other transaction in which we acquire a basis in the asset determined by reference either to the C corporation's basis in the asset or to another asset, we will pay tax, at the highest U.S. federal corporate income tax rate, on any built-in gain recognized on a taxable disposition of the asset during the 5-year period after its acquisition. As a result of the manner in which we acquired the Hudye Farm, a subsequent taxable disposition by us of any such assets generally would be subject to the foregoing built-in gain rules.

In certain circumstances, we may be subject to U.S. federal and state income taxes as a REIT, which would reduce our cash available for distribution to our stockholders.

Even if we qualify as a REIT, we may be subject to U.S. federal income taxes or state taxes. As discussed above, net income from a "prohibited transaction" will be subject to a 100% penalty tax and built-in gain recognized on the taxable disposition of assets acquired from C corporations in certain non-taxable transactions will be subject to tax at the highest applicable U.S. federal corporate income tax rate. To the extent we satisfy the distribution requirements applicable to REITs, but distribute less than 100% of our taxable income, we will be subject to U.S. federal income tax at regular corporate rates on our undistributed income. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain capital gains we earn from the sale or other disposition of our properties and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, our stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at the level of the companies through which we indirectly own our assets. Any U.S. federal or state taxes we pay will reduce our cash available for distribution to our stockholders.

The ability of our Board of Directors to revoke or otherwise terminate our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our Board of Directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income at regular corporate rates and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

If our operating partnership were classified as a "publicly traded partnership" taxable as a corporation for U.S. federal income tax purposes, we would fail to qualify as a REIT and would suffer other adverse tax consequences.

We intend for our operating partnership to be treated as a "partnership" for U.S. federal income tax purposes. If the IRS were to successfully assert our operating partnership was "publicly traded," our operating partnership could be taxable as a corporation if less than 90% of its gross income consisted of certain qualifying passive income. In such event, we likely would fail to qualify as a REIT for U.S. federal income tax purposes, and the resulting corporate income tax burden would reduce the amount of distributions that our operating partnership could make to us. This would substantially reduce the cash available to pay distributions to our stockholders.

Complying with the REIT requirements may cause us to forego otherwise attractive opportunities or sell properties earlier than we wish.

To maintain our qualification as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of shares of our stock. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution, or we may be required to forego or liquidate otherwise attractive investments in order to comply with the REIT tests. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

You may be restricted from acquiring or transferring certain amounts of our common stock .

Certain provisions of the Code and the stock ownership limits in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities. In order to maintain our qualification as a REIT, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year. To help insure that we meet these tests, our charter restricts the acquisition and ownership of shares of our stock.

Our charter, with certain exceptions, authorizes our Board of Directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board of Directors, our charter prohibits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. Our Board of Directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of such ownership limit would result in our failing to qualify as a REIT.

Dividends paid by REITs generally do not qualify for the favorable tax rates available for some dividends.

The maximum U.S. federal income tax rate applicable to qualified dividend income paid to U.S. stockholders that are individuals, trusts and estates currently is 20%. Dividends paid by REITs generally are not eligible for such maximum tax rate. Although the favorable tax rates applicable to qualified dividend income do not adversely affect the taxation of REITs or dividends paid by REITs, such favorable tax rates could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

Legislative or regulatory action with respect to taxes could adversely affect the returns to our stockholders.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the U.S. federal income tax laws applicable to investments similar to an investment in our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our stock or on the market value or the resale potential of our assets. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in our stock and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock.

Risks Related to the Market for Our Common Stock

We may be unable to make distributions at expected levels, which could result in a decrease in the market price of our common stock.

We intend to continue to pay regular quarterly distributions to our stockholders. All distributions will be made at the discretion of our board of directors and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of directors may deem relevant from time to time. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than our current estimate, or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock.

We are an "emerging growth company," and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make shares of our common stock less attractive to investors.

In April 2012, President Obama signed into law the JOBS Act. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for "emerging growth companies," including certain requirements relating to accounting standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be until December 31, 2019, we may take advantage of exemptions from

various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including the requirements to:

- provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;
- comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies;
- comply with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- comply with any new audit rules adopted by the PCAOB after April 5, 2012, unless the SEC determines otherwise;
- provide certain disclosure regarding executive compensation required of larger public companies; or
- hold stockholder advisory votes on executive compensation.

We cannot predict if investors will find shares of our common stock less attractive because we will not be subject to the same reporting and other requirements as other public companies. If some investors find shares of our common stock less attractive as a result, there may be a less active trading market for our common stock, and the per share trading price of our common stock could decline and may be more volatile.

The market price and trading volume of our common stock may be highly volatile and low, respectively.

The stock markets, including the NYSE, on which our common stock is listed, historically have experienced significant price and volume fluctuations. As a result, the market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this "Risk Factors" section of this Annual Report and others such as:

- actual or anticipated variations in our quarterly results of operations or dividends;
- changes in our funds from operations or earnings estimates;
- changes in government regulations or policies affecting our business or the farming business;
- publication of research reports about us or the real estate or farming industries;
- sustained decreases in agricultural commodity and crop prices;
- increases in market interest rates that lead purchasers of our common stock to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;

- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this Annual Report;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to meet and maintain REIT qualifications and requirements;
- low trading volume of our stock; and
- general market and economic conditions.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us, including our financial condition, results of operations, cash flow and the per share trading price of our common stock.

The number of shares of our common stock available for future issuance or sale may have adverse effects on the market price of our common stock.

As of December 31, 2015, approximately 12 million shares of our common stock were outstanding. In addition, as of the date of this Annual Report, other than the OP units held by us, approximately 4.2 million OP units in our operating partnership were outstanding, 1,945,000 of which currently may be tendered for redemption by the holders, for cash, or at our option, for shares of our common stock, on a one-for-one basis. We have registered the issuance of 1,945,000 of the shares issuable upon redemption of OP units, and we intend to register the issuance of additional shares that may be issued upon redemption of OP units so that such shares will be freely tradable under the securities laws.

We cannot predict whether future issuances or sales of shares of our common stock or the availability of shares for resale in the open market will decrease the per share trading price per share of our common stock. The per share trading price of our common stock may decline significantly when we register the shares of our common stock issuable upon redemption of outstanding OP units.

Future offerings of debt, which would be senior to our common stock upon liquidation, preferred equity securities, which may be senior to our common stock for purposes of dividend distributions or upon liquidation, and OP units in connection with future acquisitions may materially adversely affect us, including the per share trading price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities (or causing our operating partnership to issue debt securities), including medium-term notes, senior or subordinated notes and classes or series of preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will be entitled to receive payments prior to distributions to the holders of our common stock. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability pay dividends to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk that our future offerings could reduce the per share trading price of our common stock and dilute their interest in us. In addition, the issuance of OP units in connection with future acquisitions and the redemption of such OP units for common stock may be dilutive to our stockholders and could have an adverse effect on the per share trading price of our common stock.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution yield, which is our distribution rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution yield on our common stock or may seek securities paying higher dividends or interest. The market price of our common stock likely will be based primarily on the earnings that we derive from rental income with respect to our properties and our related distributions to stockholders, and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions are likely to affect the market price of our common stock, and such effects could be significant. For instance, if interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease because potential investors may require a higher distribution yield on our common stock as market rates on interest-bearing securities, such as bonds, rise.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The information set forth under the caption “Our Properties” in Item 1 of this Annual Report on Form 10-K is incorporated by reference herein.

Item 3. Legal Proceedings.

The nature of our business exposes our properties, us and the Operating Partnership to the risk of claims and litigation in the normal course of business. We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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Market Information

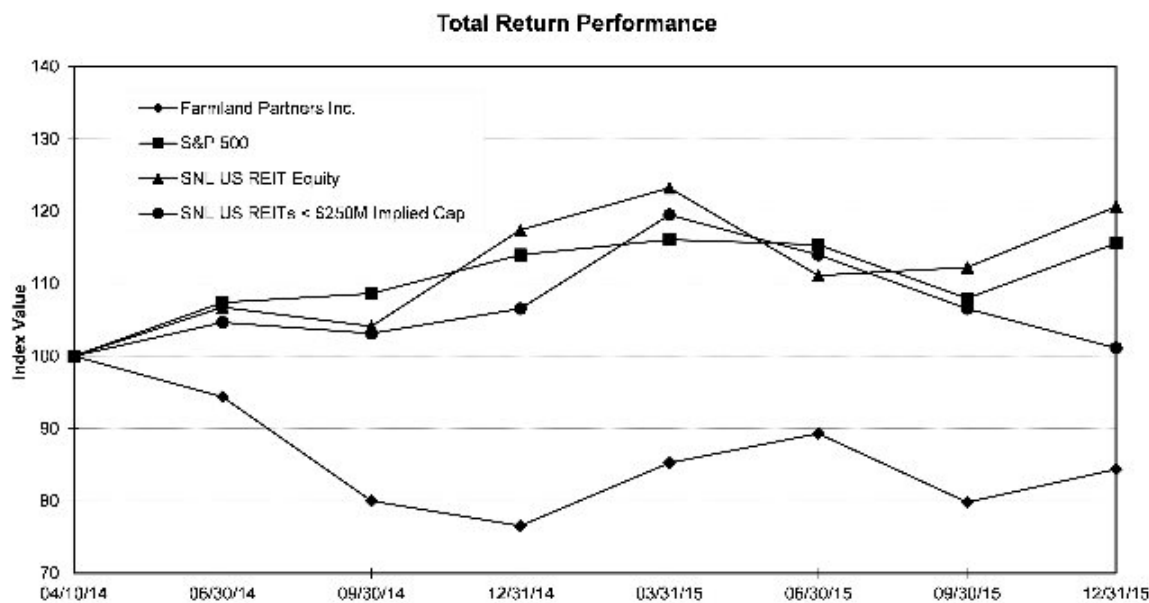
Our common stock trades on the NYSE under the symbol "FPI." Below is a summary of the high and low prices of our common stock for each quarterly period since April 10, 2014, the date our common stock began trading on the NYSE MKT, and the cash distributions per share declared by us with respect to each period. Our common stock ceased trading on the NYSE MKT on September 4, 2015 and began trading on the NYSE on September 8, 2015.

	High	Low	Distributions Declared
January 1, 2015 – March 31, 2015	\$ 11.98	\$ 10.25	\$ 0.12
April 1, 2015 – June 30, 2015	\$ 12.50	\$ 10.82	\$ 0.13
July 1, 2015 – September 30, 2015	\$ 12.55	\$ 9.76	\$ 0.13
October 1, 2015 – December 31, 2015	\$ 11.40	\$ 10.01	\$ 0.13
April 10, 2014 – June 30, 2014 (1)	\$ 14.00	\$ 12.20	\$ 0.11
July 1, 2014 – September 30, 2014	\$ 13.63	\$ 10.56	\$ 0.11
October 1, 2014 – December 31, 2014	\$ 11.40	\$ 9.48	\$ 0.12

On December 31, 2015 and March 10, 2016, the closing price of our common stock as reported on the NYSE was \$10.97 and \$ 10.75, respectively.

Stock Performance Graph

The following graph compares the total stockholder return of our common stock (assuming reinvestment of dividends) against the cumulative returns of the Standard & Poor's Corporation Composite 500 Index and the SNL Financial REIT Index, or the SNLUS REITs for the period from April 16, 2014, the date of the initial listing of our common shares on the NYSE to December 31, 2015.



Index	Period Ending							
	04/10/14	06/30/14	09/30/14	12/31/14	03/31/15	06/30/15	09/30/15	12/31/15
Farmland Partners Inc.	100.00	94.36	79.99	76.54	85.25	89.31	79.81	84.37
S&P 500	100.00	107.41	108.62	113.98	116.07	115.38	107.96	115.56
SNL US REIT Equity	100.00	106.72	104.11	117.39	123.21	111.12	112.23	120.63
SNL US REITs < \$250M Implied Cap	100.00	104.63	103.12	106.55	119.48	113.97	106.55	101.09

Distribution Information

Since our initial quarter as a publicly traded REIT, we have made regular quarterly distributions to our stockholders. We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions.

Our ability to make distributions in the future will depend upon our actual results of operations and earnings, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see "Risk Factors." Any future distributions will be authorized by our Board of Directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law, the capital requirements of our company and the distribution requirements necessary to qualify and maintain our qualification as a REIT. We may be required to fund distributions from working capital or borrow to provide funds for such distributions, or we may choose to make a portion of the required distributions in the form of a taxable stock dividend to preserve our cash balance or reduce our distribution.

In order to maintain qualification as a REIT, we must distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under applicable U.S. federal income tax laws. We intend to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid any U.S. federal income tax liability on our income and the 4% nondeductible excise tax. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to use cash reserves, incur debt or liquidate assets at rates or times that we regard as unfavorable or make a taxable distribution of our shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax.

We anticipate that, from time to time, our distributions will exceed our then current and accumulated earnings and profits for the relevant taxable year, as determined for U.S. federal income tax purposes, due to non-cash expenses such as certain stock-based compensation and depreciation and amortization. Therefore, a portion of our distributions may represent a return of capital for U.S. federal income tax purposes. The extent to which our distributions exceed our current and accumulated earnings and profits may vary substantially from year to year. To the extent a distribution is treated as a return of capital for U.S. federal income tax purposes, it will reduce a stockholder's adjusted tax basis in the holder's shares and, to the extent it exceeds the holder's adjusted tax basis, will be treated as gain resulting from a sale or exchange of such shares. As a result, the gain (or loss) recognized on a sale of that common stock or upon our liquidation would be increased (or decreased) accordingly.

Stockholder Information

As of March 10, 2016, there were approximately eighteen holders of record of our common stock. However, because many shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe there are substantially more beneficial holders of our common stock than record holders. As of March 10, 2016, there were approximately nineteen holders (other than our company and management) of our OP units. Our OP units are redeemable for cash or, at our election, for shares of our common stock, on a one-for-one basis. As of March 10, 2016, there were six holders of our Preferred Units.

Issuer Purchases of Equity Securities

Share Repurchase Program

On October 29, 2014, the Board approved a program to repurchase up to \$10 million in shares of our common stock. Repurchases under this program may be made from time to time, in amounts and prices as the Company deems appropriate. Repurchases may be made in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Exchange Act, subject to market conditions, applicable legal requirements, trading restrictions under the Company's insider trading policy, and other relevant factors. This share repurchase program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. The Company expects to fund repurchases under the program using cash on its balance sheet. As of December 31, 2015, the Company had repurchased 2,130 shares at an average price per share of \$9.81 for a total cost of \$20,932, including fees. The following table represents the activity from the fourth quarter of 2015 under the repurchase program:

	Total Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Share Repurchase Program
October 1, 2015 - October 31, 2015	—	\$ —	—	\$ 9,979,068
November 1, 2015 - November 30, 2015	—	—	—	9,979,068
December 1, 2015 - December 31, 2015	—	—	—	9,979,068
Total	—	\$ —	—	\$ 9,979,068

Item 6. Selected Financial Data.

The following selected financial data as of and for the years ended December 31, 2015, 2014, 2013 and 2012 is derived from our audited combined consolidated financial statements. The data should be read in conjunction with, and is qualified in its entirety by reference to, our combined consolidated financial statements and notes thereto, included elsewhere in this Annual Report, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Item 7 of this Annual Report.

All periods presented in the table below prior to April 16, 2014, the date of our initial public offering, reflect the operations of our Predecessor. The historical combined financial data for our Predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of our initial public offering.

	As of and for the years ended December 31,			
	2015	2014	2013	2012
Operating Data				
Total operating revenues	\$ 13,756,147	\$ 4,218,125	\$ 2,350,025	\$ 2,123,116
Net income (loss)	\$ 1,688,718	\$ (671,297)	\$ 34,172	\$ 586,352
Per Share Data				
Basic and diluted net income (loss) available to common stockholders	\$ 0.08	\$ (0.15)	—	—
Distributions declared per common share	\$ 0.4985	\$ 0.3260	—	—
Basic weighted average common shares outstanding	9,618,714	4,264,906	—	—
Diluted weighted average common shares outstanding	9,628,651	4,264,906	—	—
Supplemental Data				
EBITDA (1)	\$ 7,208,412	\$ 1,029,441	\$ 1,525,013	\$ 1,872,906
Adjusted EBITDA (1)	\$ 10,447,679	\$ 2,655,037	\$ 1,525,270	\$ 1,887,445
FFO (1)	\$ 2,582,027	\$ (342,721)	\$ 182,719	\$ 710,928
AFFO (1)	\$ 5,821,294	\$ 1,282,875	\$ 182,976	\$ 725,467
Balance Sheet Data				
Total assets	\$ 344,954,285	\$ 200,658,314	\$ 39,669,676	\$ 36,913,823
Total liabilities	196,726,230	117,132,474	44,392,598	36,580,455
Redeemable non-controlling interest in operating partnership	9,694,453	—	—	—
Total equity (deficit)	<u>\$ 138,533,602</u>	<u>\$ 83,525,840</u>	<u>\$ (4,722,922)</u>	<u>\$ 333,368</u>

- (1) For definitions and reconciliations of net income to earnings before interest, taxes, depreciation and amortization, or EBITDA, Adjusted EBITDA, funds from operations, or FFO, and Adjusted FFO, or AFFO, as well as a statement disclosing the reasons why our management believes that EBITDA, Adjusted EBITDA, FFO and AFFO provide useful information to investors and, to the extent material any additional purposes for which our management uses such measures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures.”

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this Form 10-K.

Overview and Background

We are an internally managed real estate company that owns and seeks to acquire high-quality farmland located in agricultural markets throughout North America. As of the date of this Annual Report, we own or have under contract 258 farms with an aggregate of 108,163 acres (including 5 farms totaling 8,591 acres under contract) in Arkansas, Colorado, Georgia, Illinois, Kansas, Louisiana, Michigan, Mississippi, Nebraska, North Carolina, South Carolina, Texas, and Virginia. As of the date of this Annual Report, the majority of the acres in our portfolio are used to grow primary crops, such as corn, soybeans, wheat, rice and cotton, while some of our farms produce specialty crops, such as blueberries, vegetables and edible beans. However, over the long term, we expect that our farmland portfolio will be comprised of approximately 80% primary crop farmland and 20% specialty crop farmland, which we believe will give investors exposure to the increasing global food demand trend in the face of growing scarcity of high quality farmland and will reflect the approximate breakdown of U.S. agricultural output between primary crops and animal protein (whose production relies principally on primary crops as feed), on one hand, and specialty crops, on the other. In addition, in August 2015, the Company announced the launch of the FPI Loan Program, an agricultural lending product aimed at farmers, as a complement to the Company's primary business of acquiring and owning farmland and leasing it to farmers. Under the FPI Loan Program, we intend to make loans to third-party farmers (both tenant and non-tenant) to provide partial financing for working capital requirements and operational farming activities, farming infrastructure projects, and for other farming and agricultural real estate related purposes.

We were incorporated in Maryland on September 27, 2013, and we are the sole member of the sole general partner of the Operating Partnership, which is a Delaware limited partnership that was formed on September 27, 2013. All of our assets are held by, and our operations are primarily conducted through, the Operating Partnership and its wholly owned subsidiaries. As of the date of this Annual Report we own 64% of the common units of limited partnership interest in the Operating Partnership ("OP units") and none of the Series A preferred units of limited partnership interest in the Operating Partnership ("Preferred Units"). See Note 9 to our combined consolidated financial statements for additional information regarding the Preferred Units.

We succeeded to the operations of our predecessor, FP Land LLC, a Delaware limited liability company ("FP Land" or our "Predecessor") upon completion of the underwritten initial public offering of 3,800,000 shares of our common stock (the "IPO") on April 16, 2014. Concurrently with the completion of the IPO, FP Land merged with and into the Operating Partnership, with the Operating Partnership surviving (the "FP Land Merger"). As a result of the FP Land Merger, the Operating Partnership acquired the 38 farms and three grain storage facilities owned indirectly by our Predecessor and assumed the ownership and operation of our Predecessor's business.

As of December 31, 2015, we owned 74.1% of the OP units in the Operating Partnership.

We elected and qualified to be taxed as a REIT for U.S. federal income tax purposes commencing with our short taxable year ended December 31, 2014.

Recent Developments

2015 Completed Acquisitions

During 2015, we completed 26 acquisitions, bringing the total to 56 acquisitions since the IPO. The 2015 acquisitions are described in further detail below. The 2015 acquisitions expanded our presence to four new states, bringing our total presence to twelve states. We also started acquiring permanent specialty crop farms.

Acquisitions	Location	Date acquired	Total approximate acres	Purchase price
Swarek	Quitman, MS	1/14/2015	850	\$ 3,511,919
Stonington Bass	Baca, CO	2/18/2015	997	2,079,000
Benda Butler	Butler, NE	2/24/2015	73	605,799
Benda Polk	Polk, NE	2/24/2015	123	860,998
Timmerman (1)	Phillips, CO	3/13/2015	315	2,026,220
Cypress Bay	Bamberg, SC	3/13/2015	502	2,303,573
Nebraska Battle Creek farms (5 farms) (2)	Madison, NE	4/10/2015	1,117	9,022,595
Northeast Nebraska farms (6 farms) (3)	Pierce, NE	4/10/2015	1,160	8,981,209
Drury	Yuma, CO	4/10/2015	160	950,000
Sutter	Yuma, CO	4/17/2015	322	2,000,056
Bobcat	St. Francis, AR	4/30/2015	934	3,024,750
Swindoll Darby	Tunica, MS	5/14/2015	359	1,468,457
Abraham	Fulton, IL	5/29/2015	110	761,844
Justice farms (8 farms) (4)	(5)	6/2/2015	14,935	80,913,167
Tomasek (6)	McDonough, IL	6/30/2015	58	690,463
Purdy	Crittenden & Mississippi, AR	7/2/2015	1,383	6,167,992
Matthews	Tunica & DeSoto, MS	7/10/2015	1,130	5,576,210
Riccioni	Van Buren, MI	9/15/2015	181	2,557,595
Herrmann	Polk, NE	10/1/2015	160	1,288,000
Mobley	Telfair, GA	10/9/2015	1,069	3,676,100
Erker Wallace (2 farms)	Wallace, KS & Kit Carson, CO	12/4/2015	1,217	1,915,309
Howe	McDonough, IL	12/15/2015	78	815,006
Selph	Telfair, GA	12/17/2015	116	528,398
Myers	Telfair, GA	12/17/2015	182	660,407
Kosch	Butler, NE	12/15/2015	80	732,815
Kinnison	Sedgwick, CO	12/30/2015	171	235,763
			27,782	\$ 143,353,645

- (1) On March 13, 2015, the Company issued 63,581 shares of common stock (with a fair value of \$712,743 as of the date of closing) as partial consideration for the acquisition of the Timmerman farm.
- (2) On April 10, 2015, the Company issued 118,634 OP units (with a fair value of \$1,372,595 as of the date of closing) as partial consideration for the acquisition of the Nebraska Battle Creek farms.
- (3) On April 10, 2015, the Company issued 119,953 OP units (with a fair value of \$1,387,856 as of the date of closing) as partial consideration for the acquisition of the Northeast Nebraska farms.
- (4) On June 2, 2015, the Company issued 824,398 shares of common stock and 1,993,709 OP units, of which 883,724 units are redeemable for cash or at the Company's option into shares of common stock on a one for one basis up to a maximum of 1,109,985 shares (with an aggregate fair value of \$30,914,634, as of the date of closing), as partial consideration for the acquisition of the Justice farms. See "Note 9—Stockholders Equity and Non-controlling Interests".
- (5) The Justice farms are located in Beaufort, Currituck, Pamlico, Pasquotank and Perquimans counties, NC; Marlboro County, SC; and Chesapeake, VA.
- (6) On June 30, 2015, the Company acquired the Tomasek property from Mr. Pittman. In connection with the acquisition, the Company assumed a two year lease with Astoria Farms with annual rents of \$18,749.

Acquisitions Completed to date in 2016

As of the date of this Annual Report, we have completed the following acquisitions in 2016:

Farm Name	County	Total approximate acres	Purchase price
Forsythe (1)	Various (2)	22,128	\$ 197,000,000
Reinart	Hutchinson & Moore, TX	2,056	6,116,000
Borden	Van Buren, MI	265	1,630,000
Knowles	Telfair, GA	608	1,200,000
Knight	Telfair, GA	208	620,675
Chenoweth	Fulton, IL	40	370,000
		25,305	\$ 206,936,675

- (1) On March 2, 2015 the transaction closed with an estimated purchase price consisting of (a) \$50.0 million in cash, (b) an aggregate of 2,608,695 OP units valued at \$11.50 per OP unit, or \$30.0 million in the aggregate, and (c) 117,000 Preferred Units with an aggregate value of \$117.0 million.
- (2) The Forsythe farms are located in Edgar, Clark, Coles, Crawford, Douglas, Vermilion & Cumberland counties, Illinois.

Properties under Contract

The following farms are under contract to close:

Farm Name	County	Total approximate acres	Purchase price
Condrey	Catahoula, LA	7,400	\$ 31,750,000
Buckelew	Panola, MS	624	2,304,200
Gurga	Mason, IL	80	668,000
Brett	Johnson, GA	213	575,000
Powell	Johnson, GA	274	955,084
		8,591	\$ 36,252,284

These acquisitions are expected to close in the first half of 2016, subject to the satisfaction of certain customary closing conditions. There can be no assurance that these conditions will be satisfied or that the pending acquisitions will be consummated on the terms described herein, or at all.

Follow-on Equity Offering

On July 21, 2015, the Company completed an underwritten public offering of 3,360,000 shares of common stock at a price per share of \$11.00 and generated gross proceeds of approximately \$ 37.0 million. The aggregate net proceeds to the Company, after deducting the underwriting discount and commissions and expenses payable by the Company, were approximately \$34.6 million.

At-the-Market Equity Offering Program

On September 15, 2015, the Company filed a prospectus supplement under which it may sell shares of common stock having an aggregate gross sales price of up to \$25,000,000 through an “at-the-market” equity offering program. The offering is made pursuant to a shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission on May 14, 2015. As of December 31, 2015, no shares had been issued under the program.

Financing Activity

The Company and the Operating Partnership are parties to a bond purchase agreement (the “Bond Purchase Agreement”) with Federal Agricultural Mortgage Corporation (“Farmer Mac”) and Farmer Mac Mortgage Securities Corporation (the “Purchaser”), a wholly owned subsidiary of Farmer Mac, as bond purchaser, regarding a secured note purchase facility (as amended, the “Farmer Mac Facility”) that had a maximum borrowing capacity of \$165.0 million at December 31, 2015, with \$160.6 million outstanding as of the date of this Annual Report. See “Liquidity and Capital Resources” for further details.

On February 29, 2016, two wholly owned subsidiaries of the Operating Partnership (together, the “Bridge Borrower”) entered into a term loan agreement (the “Bridge Loan Agreement”) with MSD FPI Partners, LLC, an affiliate of MSD Partners, L.P. (the “Bridge Lender”), that provides for a loan of \$53.0 million (the “Bridge Loan”), the proceeds of which were used primarily to fund the cash portion of the consideration for the acquisition of the Forsythe farms, which was completed on March 2, 2016. On March 14, 2016, we received from MetLife Agricultural Investments (“MetLife”) commitments in the total aggregate amount of \$127 million for mortgage loans secured by farmland. MetLife's loan commitments are subject to customary conditions, and expire between May 24, 2016 and June 14, 2016. We intend to use proceeds from these loans to refinance existing debt, to acquire new properties, and for general corporate purposes. We can provide no assurances that we will enter into a loan with MetLife on the terms we currently anticipate, or at all.

The Taxable REIT Subsidiary

On April 1, 2015, the TRS and Hough Farms entered into a custom farming arrangement, pursuant to which Hough Farms will perform custom farming on 563 acres. Additionally, the TRS plans to operate a volume purchasing program for participating tenants by working with suppliers to pool tenant purchasing abilities and create cost savings through bulk orders. This volume purchasing program is currently operated by the Company on a limited trial basis.

FPI Loan Program

In August 2015, the Company introduced the FPI Loan Program, an agricultural lending product aimed at farmers as a complement to the Company's current business of acquiring and owning farmland and leasing it to farmers. Under the FPI Loan Program, the Company makes loans to third-party farmers (both tenant and non-tenant) to provide partial financing for working capital requirements and operational farming activities, farming infrastructure projects, and for other farming and agricultural real estate related projects. These loans are collateralized by farm real estate and are to be in principal amounts of \$500,000 or more at fixed interest rates with maturities of up to three years. The Company expects the borrower to repay the loans in accordance with the loan agreements based on farming operations and access to other forms of capital, as permitted. Notes receivable are stated at their unpaid principal balance, and include unamortized direct origination costs and accrued interest through the reporting date, less any allowance for losses and unearned borrower paid points.

On August 24, 2015, the Company entered into a promissory note agreement with a third-party non-tenant farmer to provide up to \$2,000,000 in the form of a mortgage note. The note is collateralized by a first mortgage on farm real estate. Currently, \$1,800,000 has been funded with the remaining \$200,000 of funding subject to the satisfaction of customary lending requirements, including finalization and issuance of the title research and appraisal report. The note has a fixed interest rate and all principal and accrued interest due at maturity, which was initially January 15, 2016 but has been extended by one year with the first year's interest received at the time of the extension.

On November 16, 2015, the Company entered into a promissory note agreement with a tenant farmer to provide \$980,000 in the form of a mortgage note. The note has a fixed annual interest rate with principal and all accrued interest due at maturity on October 30, 2017. The note is collateralized by a first mortgage on farm real estate.

Factors That May Influence Future Results of Operations and Farmland Values

The principal factors affecting our operating results and the value of our farmland include global demand for food relative to the global supply of food, farmland fundamentals and economic conditions in the markets in which we own

farmland, and our ability to increase or maintain rental revenues while controlling expenses. Although farmland prices may show a decline from time to time, we believe that any reduction in U.S. farmland values overall is likely to be short-lived as global demand for food and agricultural commodities typically exceeds global supply. In addition, although prices for many crops experienced significant declines in 2014 and 2015, we do not believe that such declines represent a trend that will continue over the long term. Rather, we believe that long-term growth trends in global population and GDP per capita will result in increased prices for primary crops over time.

Demand

We expect that global demand for food, driven primarily by significant increases in the global population and GDP per capita, will continue to be the key driver of farmland values. We further expect that global demand for most crops will continue to grow to keep pace with global population growth, which we anticipate will lead to either higher prices and/or higher yields and, therefore, higher rental rates on our farmland, as well as sustained growth in farmland values over the long-term. We also believe that growth in global GDP per capita, particularly in developing nations, will contribute significantly to increasing demand for primary crops. As global GDP per capita increases, the composition of daily caloric intake is expected to shift away from the direct consumption of primary crops toward animal-based proteins, which is expected to result in increased demand for primary crops as feed for livestock. According to the United Nations' Food and Agriculture Organization ("UN FAO"), these factors are expected to require more than one billion additional tons of global annual grain production by 2050, a 45.5% increase from 2005-2007 levels and more than two times the 475 million tons of grain produced in the United States in 2014. Furthermore, we believe that, as GDP per capita grows, a significant portion of additional household income is allocated to food and that once individuals increase consumption of, and spending on, higher quality food, they will strongly resist returning to their former dietary habits, resulting in greater inelasticity in the demand for food. As a result, we believe that, as global demand for food increases, rental rates on our farmland and the value of our farmland will increase over the long-term. Global demand for corn and soybeans as inputs in the production of biofuels such as ethanol and soy diesel also could impact the prices of corn and soybeans, which, in the long-term, could impact our rental revenues and our results of operations. However, the success of our business strategy is not dependent on growth in demand for biofuels and we do not believe that demand for corn and soybeans as inputs in the production of biofuels will materially impact our results of operations or the value of our farmland, primarily because we believe that growth in global population and GDP per capita will be more significant drivers of global demand for primary crops over the long-term.

Supply

Global supply of agricultural commodities is driven by two primary factors, the number of tillable acres available for crop production and the productivity of the acres being farmed. Although the amount of global cropland in use has gradually increased over time, growth has plateaued over the last 20 years. Cropland area continues to increase in developing countries, but after accounting for expected continuing cropland loss, the UN FAO projects only 171 million acres will be added from 2005-2007 to 2050, a 4.3% increase. In comparison, world population is expected to grow over the same period to 9.7 billion, a nearly 40% increase. While we expect growth in the global supply of arable land, we also expect that landowners will only put that land into production if increases in commodity prices and the value of farmland cause landowners to benefit economically from using the land for farming rather than alternative uses. We also believe that decreases in the amount of arable land in the United States and globally as a result of increasing urbanization will partially offset the impact of additional supply of farmland. The global supply of food is also impacted by the productivity per acre of tillable land. Historically, productivity gains (measured by average crop yields) have been driven by advances in seed technology, farm equipment, irrigation techniques and chemical fertilizers and pesticides. Furthermore, we expect the increasing shortage of water in many irrigated growing regions in the United States and other growing regions around the globe, often as a result of new water restrictions imposed by laws or regulations, to lead to decreased productivity growth on many acres and, in some cases, cause yields to decline on those acres.

Conditions in Our Existing Markets

The market for farmland is dominated by buyers who are existing farm owners and operators. As a result of a decline in commodity prices in 2014 and 2015, farmland values in many agricultural markets have experienced modest declines recently after substantial increases over the prior several years. While demand for agricultural commodities has

been growing steadily, unusually favorable weather conditions in the world's major growing regions have led to a significant increase in supply. We believe that the current reduction in land values is likely to be limited and short-lived as global demand for food and agricultural commodities continues to outpace trendline supply, and represents a significant investment opportunity.

Across our entire portfolio, we are experiencing flat to modestly declining rent rates in connection with lease renewals. In order to offer our tenants a better match between cash inflows and outflows, in 2016 a higher portion than in 2015 of our fixed cash leases provides for payment of 50% of a year's rent after harvest. We believe quality farmland in the United States has a near-zero vacancy rate as a result of the supply and demand fundamentals discussed above. We believe rental rates for farmland are a function of farmland operators' view of the long-term profitability of farmland, and that many farm operators will continue to compete for farmland even during periods of decreased profitability due to the scarcity of farmland available to rent. In particular, we believe that due to the relatively high fixed costs associated with farming operations (including equipment, labor and knowledge), many farm operators in some circumstances will rent additional acres of farmland when it becomes available in order to allocate their fixed costs over more acres. Furthermore, because it is generally customary in the farming industry to provide the existing tenant with the opportunity to re-lease the land at the end of each lease term, we believe that many farm operators will rent additional land that becomes available in order to control the ability to farm that land in future periods when profitability is higher. As a result, in our experience, many farm operators will aggressively pursue rental opportunities in close proximity to their existing operations when they arise, even when the farmer anticipates lower current returns or short-term losses. In addition, because many farmers both own farmland and rent additional farmland from other landowners, we believe that many farmers will choose to subsidize losses on rented land during periods of lower profitability with relatively higher profits generated by land that they own and that has comparatively lower fixed costs. Due to the short term nature of most of our leases, we believe that a recovery of crop prices and farm profitability will be reflected relatively rapidly in our revenues via increases in rent rates.

Lease Expirations

Farm leases are often short-term in nature. As of December 31, 2015 our portfolio had the following lease expirations as a percentage of approximate acres leased and annualized minimum cash rents:

Year Ending December 31,	Approximate acres	% of approximate acres	Annual cash rents	% of annual cash rents
2016	24,763	46.5 %	\$ 4,283,858	37.6 %
2017	10,879	20.5 %	3,113,895	27.3 %
2018	1,387	2.6 %	319,503	2.8 %
2019	14,935	28.1 %	3,595,995	31.6 %
2020	1,217	2.3 %	81,936	0.7 %
	<u>53,181</u>	<u>100.0 %</u>	<u>\$ 11,395,187</u>	<u>100.0 %</u>

We are currently negotiating leases on 3,158 acres, have 15,879 acres which have lease payments based on a percentage of farming revenues or crops and have 641 acres leased to our taxable REIT subsidiary, which are not included in the table above. We expect market rents in the coming year to be consistent with expiring rents.

Rental Revenues

Our revenues are generated from renting farmland to operators of farming businesses. Our leases have terms ranging from one to five years. Although the majority of our leases do not provide the tenant with a contractual right to renew the lease upon its expiration, we believe it is customary to provide the existing tenant with the opportunity to renew the lease, subject to any increase in the rental rate that we may establish. If the tenant elects not to renew the lease at the end of the lease term, the land will be offered to a new tenant.

The leases for the majority of the properties in our portfolio provide that tenants must pay us at least 50% (and often 100%) of the annual rent in advance of each spring planting season. As a result, we collect a significant portion of total annual rents in the first calendar quarter of each year. We believe our use of leases pursuant to which at least 50% of the

annual rent is payable in advance of each spring planting season mitigates the tenant credit risk associated with the variability of farming operations that could be adversely impacted by poor crop yields, weather conditions, mismanagement, undercapitalization or other factors affecting our tenants. Prior to acquiring farmland property, we take into consideration the competitiveness of the local farm-operator tenant environment in order to enhance our ability to quickly replace a tenant that is unwilling to renew a lease or is unable to pay a rent payment when it is due. Some of our leases provide for a reimbursement of the property taxes we pay. We expect that, going forward, a progressively smaller percentage of our leases will provide for such a reimbursement.

Expenses

Substantially all of the leases for our portfolio are structured in such a way that we are responsible for major maintenance, certain insurance and taxes (which are sometimes reimbursed to us by our tenants), while our tenant is responsible for minor maintenance, water usage and all of the additional input costs related to farming operations on the property, such as seed, fertilizer, labor and fuel. We expect that substantially all of the leases for farmland we acquire in the future will continue to be structured in a manner consistent with substantially all of our existing leases. As the owner of the land, we generally only bear costs related to major capital improvements permanently attached to the property, such as irrigation systems, drainage tile, grain storage facilities, permanent plantings or other physical structures customary for farms. In cases where capital expenditures are necessary, we typically seek to offset, over a period of multiple years, the costs of such capital expenditures by increasing rental rates. We also incur the costs associated with maintaining liability and casualty insurance.

We incur costs associated with running a public company, including, among others, costs associated with employing our personnel and compliance costs. We incur costs associated with due diligence and acquisitions, including, among others, travel expenses, consulting fees, and legal and accounting fees. We also incur costs associated with managing our farmland. The management of our farmland, generally, is not labor or capital intensive because farmland generally has minimal physical structures that require routine inspection and maintenance, and our leases, generally, are structured to require the tenant to pay many of the costs associated with the property. Furthermore, we believe that our platform is scalable, and we do not expect the expenses associated with managing our portfolio of farmland to increase significantly as the number of farm properties we own increases over time. Rather, we expect that as we continue to add additional farmland to our portfolio, we will be able to achieve economies of scale, which will enable us to reduce our operating costs per acre.

Crop Prices

Our exposure to short-term crop price declines is limited. The lease agreements with some of our tenants provide for a rent determined as a percentage of the farm's gross proceeds, but even in those cases our downside is generally limited by crop insurance, hedging, or a minimum cash rent. In addition, the impact of weaker crop prices is often offset by the higher crop yields that generally accompany lower crop prices.

Our exposure to short-term crop price fluctuations, related to farming operations conducted by our TRS, is generally limited by current marketing contracts or other sales arrangements, which the Company may enter into throughout the growing season, and by the availability of grain storage capacity, which gives us the ability to delay the delivery of crops until after seasonal price declines.

The value of a crop is affected by many factors that can differ on a yearly basis. Weather conditions and crop disease in major crop production regions worldwide creates a significant risk of price volatility, which may either increase or decrease the value of the crops that our tenants produce each year. Other material factors adding to the volatility of crop prices are changes in government regulations and policy, fluctuations in global prosperity, fluctuations in foreign trade and export markets, and eruptions of military conflicts or civil unrest. Prices for many annual crops, particularly corn, experienced significant declines in 2014 and 2015, but we do not believe that such declines represent a trend that will continue over the long term. Rather, we believe that those declines in prices for annual crops represented a combination of correction to historical norms (adjusted for inflation) and high yields induced by unusually favorable weather patterns, and that continued long-term growth trends in global population and GDP per capita will result in increased prices for primary crops over time. Although annual rental payments under the majority of our leases are not based expressly on the

quality or profitability of our tenants' harvests, any of these factors could adversely affect our tenants' ability to meet their obligations to us and our ability to lease or re-lease properties on favorable terms.

Interest Rates

We expect that future changes in interest rates will impact our overall operating performance by, among other things, increasing our borrowing costs. While we may seek to manage our exposure to future changes in rates through interest rate swap agreements or interest rate caps, portions of our overall outstanding debt will likely remain at floating rates. In addition, a sustained material increase in interest rates may cause farmland prices to decline if the rise in real interest rates (which is defined as nominal interest rates minus the inflation rate) is not accompanied by rises in the general levels of inflation. However, our business model anticipates that the value of our farmland will increase, as it has in the past, at a rate that is equal to or greater than the rate of inflation, which may in part offset the impact of rising interest rates on the value of our farmland, but there can be no guarantee that this appreciation will occur to the extent that we anticipate or at all.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ significantly from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the historical combined consolidated financial statements included elsewhere in this filing. We have set forth below those accounting policies that we believe require material subjective or complex judgments and have the most significant impact on our financial condition and results of operations. We evaluate our estimates, assumptions and judgments on an ongoing basis, based on information that is then available to us, our experience and various matters that we believe are reasonable and appropriate for consideration under the circumstances.

Real Estate Acquisitions

We account for all acquisitions in accordance with the business combinations standard. When we acquire farmland that was previously operated as a rental property, we evaluate whether a lease is in place or a crop is being produced at the time of closing of the acquisition. If a lease is in place or a crop is being produced at the time of acquisition, we account for the transaction as a business combination and charge the costs associated with the acquisition to acquisition and due diligence costs on the statement of operations as incurred. Otherwise, acquisitions with no lease in place or crops being produced at the time of acquisition are accounted for as asset acquisitions. When we acquire farmland in a sale-lease back transaction with newly originated leases entered into with the seller, we account for the transaction as an asset acquisition and capitalize the transaction costs incurred in connection with the acquisition.

Upon acquisition of real estate, we allocate the purchase price of the real estate based upon the fair value of the assets and liabilities acquired, which historically have consisted of land, drainage improvements, irrigation improvements, groundwater, permanent plantings (bushes, shrubs, vines, perennials) and grain facilities and may also consist of intangible assets including in-place leases, above market and below market leases and tenant relationships. We allocate the purchase price to the fair value of the tangible assets of acquired real estate by valuing the land as if it were unimproved. We value improvements, including permanent plantings and grain facilities, at replacement cost as new adjusted for depreciation.

Our estimates of land value are made using a comparable sales analysis. Factors considered by us in our analysis of land value include soil types and water availability and the sales prices of comparable farms. Our estimates of groundwater value are made using historical information obtained regarding the applicable aquifer. Factors considered by us in our analysis of groundwater value are related to the location of the aquifer and whether or not the aquifer is a depletable resource or a replenishing resource. If the aquifer is a replenishing resource, no value is allocated to the groundwater. We include an estimate of property taxes in the purchase price allocation of acquisitions to account for the expected liability that was assumed.

When above or below market leases are acquired, we value the intangible assets based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases that are considered bargain renewal options. The above market lease values will be amortized as a reduction of rental income over the remaining term of the respective leases. The fair value of acquired below market leases, included in deferred revenue on the accompanying combined consolidated balance sheets, is amortized as an increase of rental income on a straight-line basis over the remaining non-cancelable terms of the respective leases, plus the terms of any below market fixed rate renewal options that are considered bargain renewal options of the respective leases.

The purchase price is allocated to in-place lease values and tenant relationships, if they are acquired, based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant. The value of in-place lease intangibles and tenant relationships will be included as components of deferred leasing intangibles, and will be amortized over the remaining lease term (and expected renewal periods of the respective leases for tenant relationships) as amortization expense. If a tenant terminates its lease prior to its stated expiration, any unamortized amounts relating to that lease, including (i) above and below market leases, (ii) in-place lease values, and (iii) tenant relationships, would be recorded to revenue or expense as appropriate. We capitalize acquisition costs and due diligence costs if the asset is expected to qualify as an asset acquisition. If the asset acquisition is abandoned, the capitalized asset acquisition costs will be expensed to acquisition and due diligence costs in the period of abandonment.

Total consideration for acquisitions may include a combination of cash and equity securities. When equity securities are issued, we determine the fair value of the equity securities issued based on the number of shares of common stock and OP units issued multiplied by the stock price on the date of closing in the case of common stock and OP units, and on liquidation preference in the case of Preferred Units.

Using information available at the time of acquisition, we allocate the total consideration to tangible assets and liabilities and identified intangible assets and liabilities. We may adjust the preliminary purchase price allocations after obtaining more information about asset valuations and liabilities assumed.

Real Estate

Our real estate consists of land, groundwater and improvements made to the land consisting of grain facilities, irrigation improvements, other assets and drainage improvements. We record real estate at cost and capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. We expense costs of repairs and maintenance as such costs are incurred. We begin depreciating assets when the asset is ready for its intended use. We compute depreciation and depletion for assets classified as improvements using the straight-line method over the estimated useful life of 10-40 years for grain facilities, 2-40 years for irrigation improvements, 27-65 for drainage improvements, 3-50 years for groundwater, 23 years for permanent plantings, and 5-40 years for other assets acquired. We periodically evaluate the estimated useful lives for groundwater based on current state water regulations and depletion levels of the aquifers.

When a sale occurs, we recognize the associated gain when all consideration has been transferred, the sale has closed, and there is no material continuing involvement. If a sale is expected to generate a loss, we first assess it through the impairment evaluation process—see “Impairment of Real Estate Assets” below.

Impairment of Real Estate Assets

We evaluate our tangible and identifiable intangible real estate assets for impairment indicators whenever events such as declines in a property's operating performance, deteriorating market conditions, or environmental or legal concerns bring recoverability of the carrying value of one or more assets into question. If such events are present, we project the total undiscounted cash flows of the asset, including proceeds from disposition, and compare it to the net book value of the asset. If this evaluation indicates that the carrying value may not be recoverable, an impairment loss is recorded in earnings equal to the amount by which the carrying value exceeds the fair value of the asset. There have been no impairments recognized on real estate assets in the accompanying financial statements.

Inventory of our TRS

The costs of growing crop are accumulated until the time of harvest at the lower of cost or market value and are included in inventory in our combined consolidated financial statements. Costs are allocated to growing crops based on a percentage of the total costs of production and total operating costs that are attributable to the portion of the crops that remain in inventory at the end of the year. Growing crop consists primarily of land preparation, cultivation, irrigation and fertilization costs incurred by FPI Agribusiness. Growing crop inventory is charged to cost of products sold when the related crop is harvested and sold.

Harvested crop inventory includes costs accumulated during both the growing and harvesting phases and is stated at the lower of those costs or the estimated net realizable value, which is the market price, based upon the nearest market in the geographic region, less any cost of disposition. Cost of disposition includes broker's commissions, freight and other marketing costs.

Other inventory, such as fertilizer and pesticides, is valued at the lower of cost or market.

Revenue Recognition

Rental income includes rents that each tenant pays in accordance with the terms of its lease. Minimum rents pursuant to leases are recognized as revenue on a straight-line basis over the lease term, including renewal options in the case of below market leases. Deferred revenue includes the cumulative difference between the rental revenue recorded on a straight-line basis and the cash rent received from tenants in accordance with the lease terms. Acquired below market leases are included in deferred revenue on the accompanying combined consolidated balance sheets, which are amortized into rental income over the life of the respective leases, plus the terms of the below market renewal options, if any.

Leases in place as of December 31, 2015 had terms ranging from one to five years. As of December 31, 2015 we had 17 leases with renewal options and three leases with rent escalations. The majority of our leases provide for a fixed cash rent payment. Tenant leases on acquired farms generally require the tenant to pay the Company rent for the entire initial year regardless of the date of acquisition, if the acquisition is closed prior to, or shortly after, planting of crops. If the acquisition is closed later in the year, we typically receive a partial rent payment or no rent payment at all.

Certain of our leases provide for a rent payment determined as a percentage of the gross farm proceeds, a percentage of harvested crops, or a fixed crop quantity at a fixed price. As of December 31, 2015, a majority of such leases provided for a rent payment determined as a percentage of the gross farm proceeds. Revenue under leases providing for a payment equal to a percentage of the harvested crop or a percentage of the gross farm proceeds is recognized upon notification from the grain facility that grain has been delivered in the our name or when the tenant has notified us of the total amount of gross farm proceeds.

Certain of our leases provide for minimum cash rent plus a bonus based on gross farm proceeds. Revenue under this type of lease is recognized on a straight-line basis over the lease term based on the minimum cash rent. Bonus rent is recognized upon notification from the tenant of the gross farm proceeds for the year.

Tenant reimbursements include reimbursements for real estate taxes that each tenant pays in accordance with the terms of its lease. When leases require that the tenant reimburse us for property taxes paid by us, the reimbursement is reflected as tenant reimbursement revenue on the statements of operations, as earned, and the related property tax as property operating expense, as incurred. When a lease requires that the tenant pay the taxing authority directly, we do not incur this cost. If and when it becomes probable that a tenant will not be able to bear the property-related costs, we will accrue the estimated expense.

We record revenue from the sale of harvested crops when the harvested crop has been delivered to a grain facility and

title has transferred. Harvested crops delivered under marketing contracts are recorded using the fixed price of the marketing contract at the time of delivery to a grain facility. Harvested crops delivered without a marketing contract are recorded using the market price at the date the harvested crop is delivered to the grain facility and title has transferred.

We recognize interest income on notes receivable on an accrual basis over the life of the note. Direct origination costs are netted against loan origination fees and are amortized over the life of the note using the straight-line method, which approximates the effective interest method, as an adjustment to interest income which is included in operating revenue as a component of other income in the our Combined Consolidated Statements of Operations for the years ended December 31, 2015 and 2014.

Income Taxes

As a REIT, for income tax purposes we are permitted to deduct dividends paid to our stockholders, thereby eliminating the U.S. federal taxation of income represented by such distributions at the Company level, provided certain requirements are met. REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

The Operating Partnership leases certain of its farms to the TRS, which is subject to federal and state income taxes. We account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis of assets and liabilities and their respective income tax basis and for operating loss, capital loss and tax credit carryforwards based on enacted income tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not they will be realized on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. There was no taxable income from the TRS for the year ended December 31, 2015, and at December 31, 2015, we did not have any deferred tax assets or liabilities.

We perform an annual review for any uncertain tax positions and, if necessary, will record future tax consequences of uncertain tax positions in the financial statements. An uncertain tax position is defined as a position taken or expected to be taken in a tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. At December 31, 2015 we did not identify any uncertain tax positions.

When we acquire a property in a business combination, we evaluate such acquisition for any related deferred tax assets or liabilities and determine if a deferred tax asset or liability should be recorded in conjunction with the purchase price allocation. If a built-in gain is acquired, we evaluate the required holding period (generally 5-10 years) and determine if we have the ability and intent to hold the underlying assets for the necessary holding period. If we have the ability to hold the underlying assets for the required holding period, no deferred tax liability will be recorded with respect to the built-in gain.

New or Revised Accounting Standards

The Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). Under this revised guidance, only disposals representing a strategic shift in operations, such as a disposal of a major geographic area, a major line of business or a major equity method investment, will be presented as discontinued operations. The standard requires prospective application and became effective for interim and annual periods beginning on or after December 15, 2014 with early adoption permitted. The early adoption provision excludes components of an entity that were sold or classified as held for sale prior to the adoption of the standard. We elected to early adopt this standard effective January 1, 2014. Because there were no dispositions for the year ended December 31, 2014 and guidance is applied prospectively, there was no impact to our statements of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (“ASU 2014-09”). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. ASU 2014-09 implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2016, and early adoption is prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 will have on the Company’s combined consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. We do not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

In February 2015, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* (“ASU 2015-02”), which amends or supersedes the scope and consolidation guidance under existing GAAP. The new standard changes the way a reporting entity evaluates whether (a) limited partnerships and similar entities should be consolidated, (b) fees paid to decision makers or service providers are variable interests in a variable interest entity (“VIE”), and (c) variable interests in a VIE held by related parties require the reporting entity to consolidate the VIE. ASU 2015-02 also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. ASU 2015-02 is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted. We intend to adopt this pronouncement during the three months ending March 31, 2016, and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). ASU 2015-03 requires the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge asset. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, but early adoption is permitted. We elected to early adopt the provisions of ASU 2015-03 as of June 30, 2015. All periods presented have been retroactively adjusted.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330)* (“ASU 2015-11”). The amendments require that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated sales price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect the adoption of this guidance to have any impact on its financial position, results of operations or cash flows.

In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated With Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting* (“ASU 2015-15”), which clarified that the SEC would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the arrangement. ASU 2015-15 is effective for annual periods beginning after December 15, 2015, but early adoption is permitted. We have assessed the impact of ASU 2015-15 and it does not have a material effect on our combined consolidated financial statements or financial covenants.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* (“ASU 2015-16”), pertaining to entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. The guidance requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Any adjustments should be calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. We elected to early adopt the provisions of ASU 2015-16 for the quarterly period ending December 31, 2015.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). 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. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. 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 their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. 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 is expected to impact our consolidated financial statements as we have an operating lease arrangement for which we are the lessee. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. We are in the process of evaluating the impact of this new guidance.

Results of Operations

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

	For the year ended December 31,			
	2015	2014	\$ Change	% Change
OPERATING REVENUES:				
Rental income	\$ 13,547,681	\$ 3,970,461	\$ 9,577,220	241.2 %
Tenant reimbursements	135,297	247,664	(112,367)	(45.4)%
Other revenue	73,169	—	73,169	NM
Total operating revenues	13,756,147	4,218,125	9,538,022	226.1 %
OPERATING EXPENSES				
Depreciation and depletion	893,309	328,576	564,733	171.9 %
Property operating expenses	1,103,658	248,643	855,015	343.9 %
Acquisition and due diligence costs	259,978	193,296	66,682	34.5 %
General and administrative expenses	4,192,125	2,275,426	1,916,699	84.2 %
Legal and accounting	1,090,340	615,339	475,001	77.2 %
Total operating expenses	7,539,410	3,661,280	3,878,130	105.9 %
OPERATING INCOME	6,216,737	556,845	5,659,892	1,016.4 %
OTHER (INCOME) EXPENSE:				
Other income	(98,366)	(144,020)	45,654	(31.7)%
Interest expense	4,616,434	1,372,162	3,244,272	236.4 %
Total other expense	4,518,068	1,228,142	3,289,926	267.9 %
Net income (loss) before income tax expense	1,698,669	(671,297)	2,369,966	(353.0)%
State income tax expense	9,951	—	9,951	NM
NET INCOME (LOSS)	\$ 1,688,718	\$ (671,297)	\$ 2,360,015	(351.6)%

NM = Not Meaningful

Our rental income for 2015 was impacted by the 29 acquisitions that took place in 2014, primarily in the fourth quarter, in addition to the 26 acquisitions that took place throughout 2015. To highlight the effect of changes due to acquisitions, we have separately discussed the rental income for the same-property portfolio, which includes only properties owned and operated for the entirety of both periods presented. The same-property portfolio for the periods presented includes the 38 farms and three grain storage facilities contributed to us by our Predecessor at the time of the IPO.

Total rental income increased \$9,577,220, or 241.2% , for the year ended December 31, 2015 as compared to the prior year. This increase was primarily the result of the 55 acquisitions completed over the last two years. For the year ended December 31, 2015, the average annual cash rent for the entire portfolio increased to \$215 per acre from \$179 per acre in 2014. This increase was the result of diversification of our portfolio to new markets.

Cash rental income for the same-property portfolio decreased to \$2,615,718 for the year ended December 31, 2015, from \$2,634,525 for 2014, as a result of average annual rent for the same-property portfolio decreasing to \$357 per acre in 2015 from \$360 per acre in 2014. This decrease was primarily attributable to lower crop share rent in 2015.

Leases in place in 2014 that provide for tenant payment of property taxes required the tenant to reimburse us for the tax amount we paid in 2015 for the 2014 taxable year. Due to changes in terms of lease renewals, as well as of certain outstanding leases, tenant reimbursements decreased \$112,367, or 45.4%, in 2015, as compared to 2014.

Other revenues totaled \$73,169 during the year ended December 31, 2015, compared to no other revenues realized in 2014. The other revenues recognized during 2015 were generated on interest and amortization of net loan fees, primarily from the FPI Loan Program, launched in August 2015. An initial \$1,800,000 mortgage note receivable was issued in August 2015, and a \$980,000 mortgage note was issued to a separate party in November 2015. See – “Recent Developments—FPI Loan Program.”

Depreciation and depletion expense increased \$564,733, or 171.9%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The increase is the result of acquiring \$7,468,127 in depreciable assets in the last quarter of 2014, \$7,000,392 in depreciable assets throughout 2015 and investing \$ 5,637,733 in property improvements on acquired property during 2015.

Property operating expenses increased \$855,015, or 343.9%, for the 2015 year, as compared to the prior year, of which \$ 243,416 is attributable to acquired properties during 2015. The remaining increase in property operating expenses is primarily related to increases in property insurance of \$111,694, property taxes of \$ 224,062, state franchise taxes of \$113,137, and repairs of \$53,650. Also increasing during the year were travel costs related to property visits on newly acquired properties of \$42,987 and \$48,076 expensed for legal costs related to tenant issues.

General and administrative expenses increased \$1,916,699, or 84.2%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The increase in general and administrative expenses was largely the result of increased costs related to being a public company and our continued growth. We only incurred the costs of being a public company during the period following our IPO in 2014, while we incurred such costs for the entire year in 2015. During 2015, our public company costs increased \$255,133 due to increased investor relations, board, regulatory and compliance activity, stock-based compensation expense increased \$189,844, conference attendance and travel expenses increased \$251,913, consulting fees increased \$223,667, and other corporate costs increased \$29,921, due to increased rent and general office expenses related to increased headcount, as compared with the same period in 2014. Also contributing to the general and administrative increase during the year ended December 31, 2015 were employee compensation expenses, which increased \$1,185,817 as compared with the same period in 2014, as we did not have any employees prior to the IPO and have since increased our staffing to 13 employees and added a formal bonus program in the third quarter of 2014. These increases were offset by a decrease of \$219,597 in professional fees which were incurred during the year ended December 31, 2014, on behalf of the Company by Pittman Hough Farms prior to the completion of the IPO.

Legal and accounting expenses increased \$475,001, or 77.2%, for the year ended December 31, 2015, as compared to 2014, primarily as a result of being a public company for a full year with the Company going public in April 2014. Also contributing to the increase in legal and accounting expenses were general corporate matters and the growth of our portfolio.

Other income decreased by \$45,654, or 31.7%, for the year ended December 31, 2015 compared to 2014. During both periods other income was recognized on the sale of easements and right-of-way.

Interest expense increased by \$3,244,272 or 236.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014, as a result of an increase in our average outstanding borrowings, which were \$ 159,233,978 during the year December 31, 2015 and \$44,426,322 for 2014. Our weighted average cost of borrowings during the year ended December 31, 2015 and 2014 was 2.80 % and 2.76%, respectively. We also recognized additional interest expense of \$225,134 and \$138,369 during the year ended December 31, 2015 and 2014, respectively, related to the amortization of deferred loan fees. These increases were partially offset by the amortization of a premium on our debt of \$69,989 during the year ended December 31, 2015.

Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

	For the Years Ended December 31,		\$ Change	% Change
	2014	2013		
OPERATING REVENUES:				
Rental income	\$ 3,970,461	\$ 2,350,025	\$ 1,620,436	69.0 %
Tenant reimbursements	247,664	—	247,664	NM
Total operating revenues	4,218,125	2,350,025	1,868,100	79.5 %
OPERATING EXPENSES				
Depreciation and depletion	328,576	148,547	180,029	121.2 %
Property operating expenses	248,643	37,535	211,108	562.4 %
Acquisition and due diligence costs	193,296	257	193,039	NM
General and administrative expenses	2,275,426	155,126	2,120,300	1,366.8 %
Legal and accounting	615,339	632,094	(16,755)	(2.7)%
Total operating expenses	3,661,280	973,559	2,687,721	276.1 %
OPERATING INCOME	556,845	1,376,466	(819,621)	(59.5)%
OTHER EXPENSE:				
Other income	(144,020)	—	(144,020)	NM
Interest expense	1,372,162	1,342,294	29,868	2.2 %
Total other expense	1,228,142	1,342,294	(114,152)	(8.5)%
NET (LOSS) INCOME	\$ (671,297)	\$ 34,172	\$ (705,469)	(2,064.5)%

NM = Not Meaningful

Our rental income for the periods presented was impacted by 29 acquisitions made during the year ended December 31, 2014 and one acquisition made during the year ended December 31, 2013. To highlight the effect of changes due to acquisitions, we have separately discussed the rental income for the same-property portfolio, which includes only properties owned and operated for the entirety of both periods presented. The same-property portfolio for the periods presented includes only the original farms which were contributed at the IPO date.

Total rental income increased approximately \$1,620,436, or 69.0%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, primarily resulting from the completion of 29 acquisitions during 2014, 19 of which were completed in December. For the year ended December 31, 2014, the average annual cash rent for the entire portfolio decreased to \$179 per acre from \$326 per acre in 2013. The decrease in average annual cash rent per acre is a result of an emphasis of our acquisition activity on farmland characterized by lower price and rent per acre than the pre-existing portfolio. As a result of completing 19 acquisitions in December 2014, we did not have leases in place for all properties and did not receive rental income on the majority of the properties acquired in the fourth quarter of 2014.

Rental income for the same-property portfolio increased \$265,554, or 11.4%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, as a result of average annual cash rent for the same-property portfolio increasing to \$365 per acre for the year ended December 31, 2014 from \$327 per acre in 2013.

Tenant reimbursements increased \$247,664 for the year ended December 31, 2014, as compared to the year ended December 31, 2013, and property operating expenses increased \$211,108 for the year ended December 31, 2014, as compared to the year ended December 31, 2013. Both of these increases are due to the fact that in 2013, all but two of our leases required the tenants to directly pay all expenses incurred during the lease term in connection with the leased farms, including property taxes and maintenance. In 2014, leases that formerly provided for tenant payment of property taxes, required the tenant to reimburse us for the amount we paid in 2015. We accrued the expected tenant reimbursements for the year ended December 31, 2014, which are expected to be paid in 2015. Additionally, the tenants on the Hudye farms were required to reimburse us \$18,595 for the 2013 taxes payable in 2014.

Depreciation and depletion expense increased \$180,029, or 121.2%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, as a result of our investments in irrigation equipment as well as increased depreciation related to the \$127,800,000 in acquisitions completed during 2014, of which \$10,000,000 related to depreciable assets.

Acquisition and due diligence costs increased \$193,039 for the year ended December 31, 2014, as compared to the year ended December 31, 2013, as a result of \$ 111,377 in costs directly related to the six business combinations completed in 2014, \$ 70,377 in costs directly related to asset acquisitions that were abandoned and due diligence efforts on other prospective business combinations.

General and administrative expenses increased \$2,120,300 for the year ended December 31, 2014, as compared to the year ended December 31, 2013. The increase in general and administrative expenses was a result largely of the beginning of our operations as an independent, publicly traded company and our subsequent rapid growth and more specifically, \$648,177 increase in employee compensation as we did not have any employees prior to the IPO, \$123,958 incurred related to the shared services agreement with Pittman Hough Farms, \$53,125 incurred related to a consulting agreement entered into on April 16, 2014, \$680,540 in amortization of restricted stock granted in conjunction with the IPO, \$254,741 in costs incurred as a result of becoming a public company, Board of Directors expenses of \$ 196,504 , travel costs of \$ 58,853 and \$219,597 in professional fees that FP Land agreed to reimburse Pittman Hough Farms prior to the completion of the IPO.

Legal and accounting expenses decreased \$16,755 for the year ended December 31, 2014, as compared to the year ended December 31, 2013. In 2014, the Company incurred \$ 537,533 in audit and accounting fees and \$77,805 in legal fees, as a result of becoming a public company. In 2013, the Company incurred \$620,000 related to the preparation of financial statements for use in connection with the IPO.

Gain on sale of easement was \$144,020 for the year ended December 31, 2014. In 2014, the Company entered into a transmission easement with a power company in Illinois for \$144,020.

Interest expense increased by \$29,868, or 2.2%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, as a result of an increase in interest related to the Farmer Mac Facility of \$238,933 and an increase in the amortization of deferred financing fees of \$80,392, which was offset by interest savings of \$268,545 as a result of repaying \$12.2 million in outstanding debt. As of December 31, 2014, we had \$81.1 million outstanding under the Farmer Mac Facility.

Liquidity and Capital Resources

Overview

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay any outstanding borrowings, fund and maintain our assets and operations, make distributions to our stockholders and to OP unitholders, and other general business needs.

Our short-term liquidity requirements consist primarily of funds necessary to acquire additional farmland and make other investments consistent with our investment strategy, make principal and interest payments on outstanding borrowings, make distributions necessary to qualify for taxation as a REIT and fund our operations. Our sources of funds primarily will be cash on hand, operating cash flows and borrowings from prospective lenders.

On February 29, 2016, we closed on a \$53,000,000 bridge term loan (the “Bridge Loan”), with the proceeds used to fund the cash portion of the consideration for the Forsythe Farm acquisition. The term note has a maturity of two months, with three one-month extension options, subject to the payment of a 1% extension fee at each extension, and has an annual interest rate of LIBOR plus 3%.

Over the next twelve months, \$84,750,000 of our borrowings will mature. To satisfy our maturing debt obligations, we intend to utilize a combination of our expected cash flow from operations, and proceeds from debt refinancings from prospective lenders and potential equity issuances. Any cash that we use to satisfy our outstanding debt obligations will

reduce the amounts available to acquire additional farms, which could adversely affect our growth prospects. On March 14, 2016, we received from MetLife Agricultural Investments ("MetLife") commitments in the total aggregate amount of \$127 million for mortgage loans secured by farmland. MetLife's loan commitments are subject to customary conditions, and expire between May 24, 2016 and June 14, 2016. We intend to use proceeds from these loans to refinance existing debt, to acquire new properties, and for general corporate purposes. We can provide no assurances that we will enter into a loan with MetLife on the terms we currently anticipate, or at all. See "Risk Factors—Risks Related to Our Business and Properties—We have a substantial amount of indebtedness outstanding and significant near-term maturities, which may expose us to the risk of default under our debt obligations, restrict our operations and our ability to grow our business and revenues and restrict our ability to pay distributions to our stockholders."

In addition to utilizing current and any future available borrowings, we entered into equity distribution agreements on September 15, 2015, under which we may issue and sell from time to time, through the sales agents, shares of common stock having an aggregate gross sales price of up to \$25,000,000. This "at-the-market" equity offering program is intended to provide additional financing alternatives in the capital markets and we intend to use the net proceeds from the offering, if any, for future farmland acquisitions in accordance with our investment strategy and for general corporate purposes, which may also include originating loans to farmers under our recently announced loan program. We only intend to utilize the equity offering should the market price of our common stock reach levels which are deemed appropriate.

Our long-term liquidity needs consist primarily of funds necessary to acquire additional farmland, make other investments and certain long-term capital expenditures, make principal and interest payments on outstanding borrowings, and make distributions necessary to qualify for taxation as a REIT. We expect to meet our long-term liquidity requirements through various sources of capital, including future equity issuances (including issuances of OP units), net cash provided by operations, long-term mortgage indebtedness and other secured and unsecured borrowings.

Our ability to incur additional debt will depend on a number of factors, including our degree of leverage, the value of our unencumbered assets, borrowing restrictions that may be imposed by lenders and the conditions of debt markets. Our ability to access the equity capital markets will depend on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

Consolidated Indebtedness

First Midwest Loan

In connection with the IPO and the related formation transactions, on April 16, 2014, the Operating Partnership, as borrower, and First Midwest Bank, as lender, entered into the Amended and Restated Business Loan Agreement, as amended on February 24, 2015, July 24, 2015 and on March 6, 2016 (the "FMW Loan Agreement"), which provided for loans in the initial aggregate principal amount of approximately \$30,780,000 (together, the "First Midwest Loan"). The First Midwest Loan is secured by first mortgages and assignments of rents encumbering 24 of our farms and two of our grain storage facilities. As of December 31, 2015, we had \$26,650,000 outstanding under the First Midwest Loan.

The First Midwest Loan has a maturity date of June 4, 2016, with respect to \$26,000,000 of the currently outstanding principal of the loan, and the remaining balance matures on June 28, 2016. The loan bears interest at a rate per annum equal to the one-month LIBOR plus 2.59%, but in any event not less than a rate per annum of 2.80%, and requires us to make quarterly interest payments on the 30th day of each calendar quarter and a principal payment of \$26,000,000 on June 16, 2016.

The balance of the First Midwest Loan may be prepaid by us in whole or in part without any prepayment penalties. The First Midwest Loan contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loans, defaults in payments under any other documents covering any part of the properties, and bankruptcy or other insolvency events.

In connection with the FMW Loan Agreement, two wholly owned subsidiaries of the Operating Partnership unconditionally agreed to guarantee all of the obligations of the Operating Partnership under the FMW Loan Agreement. In addition, Paul A. Pittman, our Executive Chairman, President and Chief Executive Officer, and Jesse J. Hough, our

consultant, unconditionally agreed to jointly and severally guarantee \$11,000,000 of the Operating Partnership's obligations under the FMW Loan Agreement. On February 24, 2015, we amended the FMW Loan Agreement to revise the financial covenants. On March 6, 2016, we amended the FMW Loan Agreement to extend its maturity by three months, to June 4, 2016, with respect to \$26,000,000 of the currently outstanding principal.

Under the FMW Loan Agreement, we are subject to ongoing compliance with a number of customary affirmative and negative covenants, as well as financial covenants, including a maximum leverage ratio of 0.60 to 1.00 and a minimum fixed charge coverage ratio of 1.5 to 1.00. Each covenant is measured annually as of December 31st of each year. Additionally, we are required to maintain a minimum cash account balance of \$500,000 during the term of the agreement. We were in compliance with all applicable covenants at December 31, 2015.

Farmer Mac Facility

We are party to the Amended and Restated Bond Purchase Agreement, dated as of March 1, 2015 and subsequently amended (the "Bond Purchase Agreement"), with Farmer Mac and the Purchaser, regarding a secured bond purchase facility that as of December 31, 2015 has a maximum borrowing capacity of \$165 million. Pursuant to the Bond Purchase Agreement, the Operating Partnership may, from time to time, issue one or more bonds to the Purchaser that will be secured by pools of mortgage loans, which will, in turn, be secured by first liens on agricultural real estate owned by us. The mortgage loans may have effective loan-to-value ratios of up to 60%, after giving effect to the overcollateralization obligations described below. Prepayment of each bond issuance is not permitted unless otherwise agreed upon by all parties to the Bond Purchase Agreement.

The Farmer Mac Facility includes a number of customary affirmative and negative covenants, as well as financial covenants, including: a maximum leverage ratio of not more than 60%; a minimum fixed charge coverage ratio of 1.5 to 1.00, beginning after the second quarter of 2015; and a minimum tangible net worth. We were in compliance with all applicable covenants at December 31, 2015. On August 3, 2015, we amended the Bond Purchase Agreement in order to calculate the fixed charge coverage ratio using our Adjusted EBITDA (as defined in the Bond Purchase Agreement) rather than our EBITDA (as defined in the Bond Purchase Agreement).

In connection with the Bond Purchase Agreement, we and the Operating Partnership are also party to the Amended and Restated Pledge and Security agreement, dated as of March 1, 2015 (the "Pledge Agreement") in favor of the Purchaser and Farmer Mac, pursuant to which we and the Operating Partnership agreed to pledge, as collateral for the Farmer Mac Facility, all of their respective right, title and interest in (i) mortgage loans with a value at least equal to 100% of the aggregate principal amount of the outstanding bond held by the Purchaser and (ii) such additional collateral as necessary to have total collateral with a value at least equal to 110% of the outstanding notes held by the Purchaser. In addition, we agreed to guarantee the full performance of the Operating Partnership's duties and obligations under the Pledge Agreement.

The Bond Purchase Agreement and the Pledge Agreement include customary events of default, the occurrence of any of which, after any applicable cure period, would permit the Purchaser and Farmer Mac to, among other things, accelerate payment of all amounts outstanding under the Farmer Mac Facility and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the agricultural real estate underlying the pledged mortgage loans. As of December 31, 2015, we had \$160,575,000 outstanding under the Farmer Mac Facility.

Term Loan Agreement

On February 29, 2016, the Bridge Borrower entered into the Bridge Loan Agreement with the Bridge Lender that provides for a loan of \$53.0 million, the proceeds of which were used primarily to fund the cash portion of the consideration for the acquisition of the Forsythe farms, which was completed on March 2, 2016. The Company is currently in negotiations with certain lenders to provide long-term secured debt financing to repay the Bridge Loan at or prior to its maturity, but the Company can provide no assurances that it will be able to enter into such financing on favorable terms or at all.

The Bridge Loan matures on April 29, 2016, subject to three one-month extensions at the Bridge Borrower's option, and is secured by first lien mortgages on the Forsythe farms. Interest on the Bridge Loan is payable in cash monthly and

accrues at a rate of LIBOR plus 3.00% per annum. In addition, under the Bridge Loan Agreement, the Bridge Borrower paid an origination fee of 4.00% of the loan amount and is required to pay an extension fee of 1.00% of the loan amount for each one-month extension and a default fee of 2.00% of the loan amount if the Bridge Loan is not repaid at maturity. The Bridge Borrower may prepay the Bridge Loan, subject to paying the Lender any LIBOR brokerage costs.

In connection with the Term Loan, on February 29, 2016, the Company and the Operating Partnership entered into a guaranty (the “Guaranty”) whereby the Company and the Operating Partnership jointly and severally agreed unconditionally to guarantee all of the Bridge Borrower’s obligations under the Bridge Loan.

The Bridge Loan Agreement contains a number of customary affirmative and negative covenants, including: (i) the use of proceeds of the Bridge Loan must be used in connection with the acquisition of the Forsythe farms and (ii) the Bridge Borrower is generally restricted from incurring any additional indebtedness.

The Guaranty contains a number of customary affirmative and negative covenants, as well as financial covenants, including: (i) a maximum leverage ratio of not more than 60%; (ii) a minimum fixed charge coverage ratio of 1.50 to 1.00 as of the end of any fiscal quarter; (iii) a minimum tangible net worth; (iv) a general restriction on incurring additional indebtedness subject to certain exceptions, including indebtedness for property acquisitions of up to \$6.0 million; (v) a restriction on investments in excess of \$10.0 million in the aggregate without the prior written consent of the Lender subject to certain limited exceptions; and (vi) a restriction on modifying terms of the Preferred Units (as defined below).

The Bridge Loan Agreement includes certain customary events of default, including a cross-default provision related to other outstanding indebtedness of the Company and the Operating Partnership, the occurrence of any of which, after any applicable cure period, would permit the Bridge Lender, among other things, to accelerate payment of all amounts outstanding under the Bridge Loan and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the Forsythe farms.

Sources and Uses of Cash

The following table summarizes our cash flows for the years ended December 31, 2015, 2014 and 2013:

	For the year ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	\$ 7,694,771	\$ 1,782,581	\$ 23,619
Net cash used in investing activities	\$(119,690,651)	\$(126,296,311)	\$(1,649,415)
Net cash provided by financing activities	\$ 101,774,010	\$ 158,232,091	\$ 1,600,646

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

As of December 31, 2015, we had \$23,514,296 of cash and cash equivalents compared to \$33,736,166 at December 31, 2014.

Cash Flows from Operating Activities

Net cash provided by operating activities increased \$5,912,190, primarily as a result of the following:

- Receipt of \$16,353,157 in cash rents for the twelve months ended December 31, 2015, as compared to receiving \$5,310,267 in cash rents in the same period of 2014;
- Increase of \$ 923,975 in employee compensation paid;
- Increase of \$601,251 on property other taxes ;
- Additional operating costs of \$ 704,682 directly related to being a public company; and
- An increase in cash paid for interest of \$2,949,027 due to an increase in average outstanding indebtedness of approximately \$115,500,000, year-to-year.

Cash Flows from Investing Activities

Net cash used for investing activities decreased \$6,605,660 primarily as a result of the following:

- Completing 26 acquisitions in 2015 for aggregate cash consideration of \$109,309,474, as compared to \$126,250,011 in aggregate cash consideration for 29 acquisitions in 2014;
- Investment of \$ 7,574,180 for real estate improvements during the year ended December 31, 2015, as compared to \$46,300 in 2014; and
- Funding of \$2,830,000 in notes receivable, which was offset by \$23,003 of net origination fees received.

Cash Flows from Financing Activities

Net cash provided by financing activities decreased \$56,458,081 primarily as a result of the following:

- Borrowings from mortgage notes payable of \$82,475,000 during the twelve months ended December 31, 2015, as compared to borrowings of \$81,100,000 in the twelve months ended December 31, 2014;
- Debt prepayments of \$3,078,000 on the First Midwest bank debt during 2015, as compared to \$11,279,137 in 2014;
- Other contractual debt payments of \$6,050,300 made in 2015, compared to \$1,032,100 in contractual debt payments made during 2014;
- Proceeds from an equity offering of \$35,112,000 during 2015, compared to total proceeds of \$93,620,980 from an initial public offering and subsequent equity offering during 2014;
- Dividend and distribution payments of \$5,944,130 to common stockholders and OP unitholders made in 2015, compared to dividends payments and net distributions to members of \$2,713,376 during 2014; and
- Payments of \$780,917 in offering costs made during 2015, as compared to \$2,255,090 in payments during 2014;
- Payments of \$238,711 in financing fees made during 2015, as compared to \$369,528 in payments during 2014;
- Receipt of \$300,000 of refund related to certain of our mortgage notes payable during 2015; and
- Repurchase and retire of \$20,932 of common stock during 2015.

Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

As of December 31, 2014, we had \$33,736,166 of cash and cash equivalents compared to \$17,805 at December 31, 2013.

Cash Flows from Operating Activities

Net cash provided by operating activities increased approximately \$1,758,962, primarily as a result of the following:

- Receipt of \$5,310,267 in cash rents for the year ended December 31, 2014, of which \$1,364,737 was included in deferred revenue at year end, as compared to \$1,899,192 in cash rents for the year ended December 31, 2013;
- Increase in costs as a result of becoming a public company of \$ 839,691 ;
- Increase in acquisition and due diligence costs of \$193,039;
- Increase in employee compensation paid of \$648,000;
- Cash received from the sale of an easements and right of way totaling \$144,020 made in 2014;
- Increased payments of \$82,000 to acquire other operating assets, primarily prepaid insurance and other annual public company costs; and
- Decrease in cash paid for interest of \$368,405, during the year ended December 31, 2014, as compared to the year ended December 31, 2013, as a result of the timing of interest payments on the current indebtedness and the payoff of \$12,300,000 of outstanding indebtedness in 2014.

Cash Flows from Investing Activities

Net cash used for investing activities increased approximately \$124,646,896 as compared to the year ended December 31, 2013, primarily as a result of the following:

- Acquiring 49 farms in 2014 for aggregate consideration of \$126,250,000.

Cash Flows from Financing Activities

Net cash provided by financing activities increased approximately \$156,631,445 primarily as a result of the following:

- \$48,000,000 of net proceeds from the IPO, which was completed on April 16, 2014;
- \$43,300,000 of net proceeds from the Follow-on Offering, which was completed on July 30, 2014;
- Repayment of \$12,311,237 in outstanding debt;
- As a result of the completion of the formation transactions, the Company had a reduction in net distributions to non-controlling interest in operating partnership or net distributions to members of \$5,181,212; and
- Issuance five bonds totaling \$81,100,100 under the Farmer Mac Facility.

Contractual Obligations

The following table sets forth our contractual obligations and commitments as of December 31, 2015:

Contractual Obligations	Payments Due by Period				Total
	< 1 year	1 - 3 years	3 - 5 years	> 5 years	
Principal Payments of					
Long-Term Indebtedness	\$ 31,750,000	\$ 81,100,000	\$ 48,300,000	\$ 26,075,000	\$ 187,225,000
Interest Payments on					
Fixed-Rate Long-Term Indebtedness	4,609,239	6,915,044	4,207,470	4,159,969	19,891,722
Variable-Rate Long-Term Indebtedness	171,465	-	-	-	171,465
Commitment on Mortgage Note					
Receivable	200,000	-	-	-	200,000
Lease Payments	121,560	249,141	74,073	-	444,774
Total	<u>\$ 36,852,264</u>	<u>\$ 88,264,185</u>	<u>\$ 52,581,543</u>	<u>\$ 30,234,969</u>	<u>\$ 207,932,961</u>

In addition, on February 29, 2016, we closed on the \$53,000,000 Bridge Loan, which has a maturity date of April 29, 2016, with three one-month extension options, subject to the payment of a 1% extension fee at each extension.

Off-Balance Sheet Arrangements

As of December 31, 2015, we did not have any off-balance sheet arrangements.

Non-GAAP Financial Measures

Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO")

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. NAREIT defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate related depreciation, depletion and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management presents FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from sales of depreciable operating properties, which do not relate to or are not indicative of operating performance, FFO provides a performance

measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures necessary to maintain the operating performance of improvements on our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

We do not, however, believe that FFO is the only measure of the sustainability of our operating performance. Changes in GAAP accounting and reporting rules that were put in effect after the establishment of NAREIT's definition of FFO in 1999 result in the inclusion of a number of items in FFO that do not correlate with the sustainability of our operating performance. Therefore, in addition to FFO, we present AFFO and AFFO per share, fully diluted, both of which are non-GAAP measures. Management considers AFFO a useful supplemental performance metric for investors as it is more indicative of the Company's operational performance than FFO. AFFO is not intended to represent cash flow or liquidity for the period, and is only intended to provide an additional measure of our operating performance. Even AFFO, however, does not properly capture the timing of cash receipts, especially in connection with full-year rent payments under lease agreements entered into in connection with newly acquired farms. Management considers AFFO per share, fully diluted to be a supplemental metric to GAAP earnings per share. AFFO per share, fully diluted provides additional insight into how our operating performance could be allocated to potential shares outstanding at a specific point in time. Management believes that AFFO is a widely recognized measure of the operations of REITs, and presenting AFFO will enable investors to assess our performance in comparison to other REITs. However, other REITs may use different methodologies for calculating AFFO and AFFO per share, fully diluted and, accordingly, our AFFO and AFFO per share, fully diluted may not always be comparable to AFFO and AFFO per share amounts calculated by other REITs. AFFO and AFFO per share, fully diluted should not be considered as an alternative to net income (loss) or earnings per share (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to net income (loss) earnings per share (determined in accordance with GAAP) as a measure of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to make distributions.

AFFO is calculated by adjusting FFO to exclude or include the income and expenses that we believe are not reflective of the sustainability of our ongoing operating performance, as further explained below:

- *Crop year adjusted revenue.* In accordance with GAAP, rental payments are recognized as income on a straight-line basis over the terms of the respective leases. With respect to leases entered into on acquired property, crop year adjusted revenue represents the difference between the pro rata contractual cash revenue for each crop year spread equally over the quarterly periods of ownership (without regard to the date of acquisition within the quarter) and the rent recognized on a straight-line basis in accordance with GAAP. This application results in income recognition that can differ significantly from the current GAAP accounting. By adjusting for this item, we believe AFFO, provides useful supplemental information reflective of the realized economic impact of our leases on a crop year basis, which is useful in assessing the sustainability of our operating performance.
- *Stock based compensation.* Stock based compensation is a non-cash expense and therefore, does not correlate with the ongoing operations. We believe that excluding these costs from AFFO improves comparability of our results over each reporting period and of our company with other real estate operators.
- *Indirect offering costs.* Indirect offering costs are fees for services incurred by the Company to grow and maintain an active institutional investor presence. As we continue to acquire more farms and farmland, our ability to access capital through the equity markets will remain a critical component of our growth strategy. As of September 30, 2015, we began excluding indirect offering costs from AFFO as we believe it improves comparability of our

results over each reporting period and of our company with other real estate operators. There were no indirect offering costs in periods prior to the quarter ended September 30, 2015.

- *Real estate related acquisition audit fees.* A portion of the audit fees we incur is directly related to acquisitions, and varies with the number and complexity of the acquisitions we evaluate and complete in a given period. As such, these costs do not correlate with the ongoing operations of our portfolio. We believe that excluding these costs from AFFO provides useful supplemental information reflective of the realized economic impact of our current acquisition strategy, which is useful in assessing the sustainability of our operating performance. This exclusion also improves comparability of our results over each reporting period and of our company with other real estate operators.
- *Real estate related acquisition and due diligence costs.* Acquisition expenses are incurred for investment purposes and therefore, do not correlate with the ongoing operations of our portfolio. We believe that excluding these costs from AFFO provides useful supplemental information reflective of the realized economic impact of our leases, which is useful in assessing the sustainability of our operating performance. This exclusion also improves comparability of our results over each reporting period and of our company with other real estate operators.
- *Fully diluted shares of common stock.* In accordance with GAAP, shares of common stock used to calculate earnings per share are presented on a weighted average basis. Common shares on a fully diluted basis includes shares of common stock, OP units and unvested restricted stock outstanding at the end of the period on a share equivalent basis, because all shares are participating securities and thus share in the performance of the Company.

In connection with the issuance of the Preferred Units, beginning in the first quarter of 2016, we intend to further adjust FFO to reflect the fact that, until the holders of the Preferred Units convert their Preferred Units to common OP units, which may occur on or after March 2, 2026, their impact on our cash flow will be fixed and certain, while their impact on shares outstanding will be uncertain. Therefore, we intend to adjust FFO by subtracting the amount of dividends payable on the Preferred Units, and exclude the Preferred Units in the calculation of common shares fully diluted.

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The following table sets forth a reconciliation of Net income (loss) to FFO, AFFO and net income available to common stockholders per share to AFFO per share, fully diluted, the most directly comparable GAAP equivalents, respectively, for the periods indicated below (unaudited):

	For the year ended December 31,		
	2015	2014	2013
Net income (loss)	\$ 1,688,718	\$ (671,297)	\$ 34,172
Depreciation and depletion	893,309	328,576	148,547
FFO	2,582,027	(342,721)	182,719
Crop year adjusted revenue	1,769,887	566,760	—
Stock based compensation	941,802	680,540	—
Indirect equity offering costs	34,000	—	—
Real estate acquisition related audit fees	233,600	185,000	—
Real estate related acquisition and due diligence costs	259,978	193,296	257
AFFO	\$ 5,821,294	\$ 1,282,875	\$ 182,976
AFFO per diluted weighted average share data:			
AFFO weighted average common shares	13,060,278	5,797,110	
Net income (loss) available to common stockholders	\$ 0.08	\$ (0.15)	
Income available to redeemable non-controlling interest and non-controlling interest in operating partnership	0.05	0.03	
Depreciation and depletion	0.07	0.06	
Crop year adjusted revenue	0.14	0.10	
Stock based compensation	0.07	0.12	
Indirect equity offering costs	—	—	
Real estate acquisition related audit fees	0.02	0.03	
Real estate related acquisition and due diligence costs	0.02	0.03	
AFFO per diluted weighted average share	\$ 0.45	\$ 0.22	

The following table sets forth a reconciliation of AFFO share information to basic weighted average common shares outstanding, the most directly comparable GAAP equivalent, for the periods indicated below (unaudited):

	For the year ended December 31,	
	2015	2014
Basic weighted average shares outstanding	9,618,714	4,264,906
Weighted average OP units on an as if converted basis	2,762,924	1,380,151
Weighted average unvested restricted stock	165,354	152,053
Weighted average redeemable non-controlling interest	513,286	—
AFFO weighted average common shares	13,060,278	5,797,110

As of December 31, 2015 and 2014 we had 16,155,971 and 9,676,755 shares of common stock outstanding on a fully diluted basis, respectively.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA

EBITDA is a key financial measure used to evaluate our operating performance but should not be construed as an alternative to operating income, cash flows from operating activities or net income, in each case as determined in accordance with GAAP. EBITDA is not a measure defined in accordance with GAAP. We believe that EBITDA is a standard performance measure commonly reported and widely used by analysts and investors in our industry. However, while EBITDA is a performance measure widely used across several industries, we do not believe that it correctly captures

our business operating performance because it includes non-cash expenses and recurring adjustments that are necessary to better understand our business operating performance. Therefore, in addition to EBITDA, our management uses Adjusted EBITDA, a non-GAAP measure. A reconciliation of net income to EBITDA and Adjusted EBITDA is set forth in the table below.

We further adjust EBITDA for certain additional items such as crop year adjusted revenue, stock based compensation, indirect equity offering costs, real estate acquisition related audit fees and real estate related acquisition and due diligence costs (for a full discussion of these adjustments see AFFO adjustments discussed above) that we consider necessary to understand our operating performance. We believe that Adjusted EBITDA provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income and EBITDA, is beneficial to an investor's understanding of our operating performance.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting the usefulness as a comparative measure.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results of operations and using EBITDA and Adjusted EBITDA only as a supplemental measure of our performance.

The following table sets forth a reconciliation of our net income (loss) to our EBITDA and Adjusted EBITDA for the periods indicated below (unaudited):

	For the year ended December 31,		
	2015	2014	2013
Net income (loss)	\$ 1,688,718	\$ (671,297)	\$ 34,172
Interest expense	4,616,434	1,372,162	1,342,294
Income tax expense	9,951	—	—
Depreciation and depletion	893,309	328,576	148,547
EBITDA	<u>\$ 7,208,412</u>	<u>\$ 1,029,441</u>	<u>\$ 1,525,013</u>
Crop year adjusted revenue	1,769,887	566,760	—
Stock based compensation	941,802	680,540	—
Indirect equity offering costs	34,000	—	—
Real estate acquisition related audit fees	233,600	185,000	—
Real estate related acquisition and due diligence costs	259,978	193,296	257
Adjusted EBITDA	<u>\$ 10,447,679</u>	<u>\$ 2,655,037</u>	<u>\$ 1,525,270</u>

Inflation

All of the leases for the farmland in our portfolio have one- to five-year terms, pursuant to which each tenant is responsible for substantially all of the operating expenses related to the property, including taxes, maintenance, water usage and insurance. As a result, we believe that the effect on us of inflationary increases in operating expenses may be offset in part by the operating expenses that are passed through to our tenants and by contractual rent increases because our leases will be renegotiated every one to five years. We do not believe that inflation has had a material impact on our historical financial position or results of operations.

Seasonality

Because the leases for a majority of the properties in our portfolio require payment of at least 50% of the annual rent in advance of each spring planting season, we receive a significant portion of our cash rental payments in the first calendar quarter of each year, although we recognize rental revenue from these leases on a pro rata basis over the non-cancellable term of the lease in accordance with GAAP.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business strategies, the primary market risk to which we are exposed is interest rate risk. Our primary interest rate exposure will be the daily LIBOR. We may use fixed interest rate financing to manage our exposure to fluctuations in interest rates. On a limited basis, we also may use derivative financial instruments to manage interest rate risk. We will not use such derivatives for trading or other speculative purposes.

At December 31, 2015, \$ 31,750,000, or 1.7%, of our debt had variable interest rates. Assuming no increase in the level of our variable rate debt, if interest rates increased by 1.0%, or 100 basis points, our cash flow would decrease by approximately \$ 317,000 per year. At December 31, 2015, LIBOR was approximately 43 basis points. Assuming no increase in the level of our variable rate debt, if LIBOR were reduced to 0 basis points, our cash flow would not be materially impacted.

Item 8. Financial Statements and Supplementary Data

Our combined consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

We have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of the end of the period covered by this report .

Limitations on the Effectiveness of Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the 2013 framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the Company's management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Attestation Report of Independent Registered Public Accounting Firm

Not applicable.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None .

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2016.

Item 11. Executive Compensation.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2016.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2016.

Item 14. Principal Accountant Fees and Services.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2016.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following is a list of documents filed as a part of this report:

- (1) Financial Statements

Included herein at pages F- 1 through F- 40 .

- (2) Financial Statement Schedules

The following financial statement schedule is included herein at pages F- 37 through F- 40 :

Schedule III—Combined Real Estate and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions, are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

- (3) Exhibits

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index on pages 77 , 78 and 79 of this report, which is incorporated by reference herein.

Exhibit Index

Exhibit No.	Description of Exhibit
3.1	Articles of Amendment and Restatement. (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
3.2	Amended and Restated Bylaws. (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
4.1	Form of common stock certificate (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11/A, filed on March 11, 2014)
10.1	Second Amended and Restated Agreement of Limited Partnership of Farmland Partners Operating Partnership, LP, dated April 16, 2014. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
10.2†	Farmland Partners Inc. Amended and Restated 2014 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8, filed on May 5, 2015)
10.3†	Form of Restricted Stock Award Agreement. (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11/A, filed on March 11, 2014)
10.4†	Form of Restricted Stock Award Agreement for Directors. (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-11/A, filed on March 11, 2014)
10.5†	Employment Agreement, dated April 16, 2014, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP and Paul A. Pittman. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
10.6†	Employment Agreement, dated April 16, 2014, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP and Luca Fabbri. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
10.7†	Consulting Agreement, dated April 16, 2014, by and between Farmland Partners Inc. and Jesse J. Hough. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
10.8	Shared Services Agreement, dated April 16, 2014, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP and American Agriculture Corporation. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
10.9*	Indemnification Agreement by and between Farmland Partners Inc. and each of its directors and officers listed on Schedule A thereto.
10.10	Tax Protection Agreement, dated April 16, 2014, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, and Pittman Hough Farms LLC. (Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
10.11	Representation, Warranty and Indemnity Agreement by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Paul A. Pittman and Jesse J. Hough. (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
10.12	Merger Agreement by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Pittman Hough Farms LLC and FP Land LLC. (Incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
10.13	Right of First Offer Agreement by and between Farmland Partners Operating Partnership, LP and Pittman Hough Farms LLC. (Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
10.14	Right of First Offer Agreement by and between Farmland Partners Operating Partnership, LP and Paul A. Pittman. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
10.15	Form of Lease Agreement by and between Farmland Partners Inc. and Astoria Farms / Hough Farms. (Incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-11/A, filed on March 24, 2014)
10.16	Registration Rights Agreement, dated April 16, 2014, by and between Farmland Partners Inc. and Pittman Hough Farms LLC. (Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, filed on April 16, 2014)

- 10.17 Amended and Restated Business Loan Agreement, dated April 16, 2014, by and between Farmland Partners Operating Partnership, LP and First Midwest Bank. (Incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K, filed on April 16, 2014)
- 10.18 Contract to Buy and Sell Real Estate, dated April 16, 2014, by and between Farmland Partners Inc. and Darren Erker and Jessica Erker. (Incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-11/A filed on July 22, 2014)
- 10.19 Contract Amendment Agreement, dated May 7, 2014, by and between Farmland Partners Inc. and Darren Erker and Jessica Erker. (Incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-11/A filed on July 22, 2014)
- 10.20 Stock Purchase Agreement, dated May 29, 2014, by and between Farmland Partners, Inc. and Benedict Hudye and Gregory Hudye. (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-11/A filed on July 22, 2014)
- 10.21 Amendment to Stock Purchase Agreement, dated June 11, 2014, by and between Farmland Partners, Inc. and Benedict Hudye and Gregory Hudye. (Incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-11/A filed on July 22, 2014)
- 10.22 Bond Purchase Agreement, dated as of August 22, 2014, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Farmer Mac Mortgage Securities Corporation and Federal Agricultural Mortgage Corporation. (Incorporated by Reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 28, 2014)
- 10.23 Amended and Restated Pledge and Security Agreement, dated as of March 1, 2015, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Farmer Mac Mortgage Securities Corporation and Federal Agricultural Mortgage Corporation. (Incorporated by Reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 5, 2015)
- 10.24 Amended and Restated Bond Purchase Agreement, dated as of March 1, 2015, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Farmer Mac Mortgage Securities Corporation and Federal Agricultural Mortgage Corporation. (Incorporated by Reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 5, 2015)
- 10.25 Amendment No. 1 to the Amended and Restated Bond Purchase Agreement, dated as of June 2, 2015, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Farmer Mac Mortgage Securities Corporation and Federal Agricultural Mortgage Corporation. (Incorporated by Reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 5, 2015)
- 10.26* Amendment No. 2 to the Amended and Restated Bond Purchase Agreement, dated as of August 3, 2015.
- 10.27 Real Estate Purchase Agreement by and among James C. Justice Companies, Inc., Ten Mile Bay, LLC and FPI Colorado LLC, a wholly owned subsidiary of the Operating Partnership, dated as of November 13, 2014. (Incorporated by reference to Exhibit 10.26 to the Company's 2014 Annual Report on form 10-K filed on March 3, 2015)
- 10.28 Amendment to Real Estate Purchase Agreement by and among James C. Justice Companies, Inc., Ten Mile Bay, LLC and FPI Colorado LLC, a wholly owned subsidiary of the Operating Partnership, dated as of December 18, 2014. (Incorporated by reference to Exhibit 10.27 to the Company's 2014 Annual Report on form 10-K filed on March 3, 2015)
- 10.29 Real Estate Purchase Agreement by and among Vendome Farming Corp and FPI Colorado LLC, a wholly owned subsidiary of the Operating Partnership, dated as of September 19, 2014. (Incorporated by reference to Exhibit 10.28 to the Company's 2014 Annual Report on form 10-K filed on March 3, 2015)
- 10.30 First Amendment, dated February 24, 2015, to the Amended and Restated Business Loan Agreement, dated April 16, 2014, by and between Farmland Partners Operating Partnership, LP and First Midwest Bank. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 2, 2015)
- 10.31 Real Estate Purchase Agreement, dated March 23, 2015, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP and a subsidiary thereto, James C. Justice Companies, Inc., Justice Farms of North Carolina, LLC and Alabama Carbon LLC. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)
- 10.32 First Amendment to Real Estate Purchase Agreement, dated April 24, 2015, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP and a subsidiary thereto, James C. Justice Companies, Inc., Justice Farms of North Carolina, LLC, Alabama Carbon LLC and James C. Justice III. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)

10.33 †	First Amendment, dated April 16, 2015, to the Consulting Agreement, dated April 16, 2014, by and between Farmland Partners Inc. and Jesse J. Hough. (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)
10.34	Second Amendment, dated June 30, 2015, to the Consulting Agreement dated April 16, 2014, by and between Farmland Partners Inc. and Jesse J. Hough. (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on August 11, 2015)
10.35	Contribution Agreement, dated as of November 9, 2015, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, FPI Illinois I LLC, and FPI Illinois II, LLC and Forsythe Family Farms, Inc., Gerald R. Forsythe, Forsythe-Fournier Farms, LLC, Forsythe-Fawcett Farms, LLC, Forsythe-Bernadette Farms, LLC, Forsythe Land Company, Forsythe Family Farms, L.P., Forsythe Family Farms II, L.P., and Forsythe-Breslow Farms, LLC. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 11, 2015)
21.1*	List of subsidiaries.
23.1*	Consent of PricewaterhouseCoopers, LLP.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Filed herewith

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 15 , 201 6

FARMLAND PARTNERS INC.

By: /s/ Paul A. Pittman
Paul A. Pittman
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul A. Pittman</u> Paul A. Pittman	Executive Chairman, President and Chief Executive Officer (principal executive officer)	March 15 , 2016
<u>/s/ Luca Fabbri</u> Luca Fabbri	Chief Financial Officer (principal financial officer and principal accounting officer)	March 15 , 2016
<u>/s/ Jay Bartels</u> Jay Bartels	Director	March 15 , 2016
<u>/s/ Chris A. Downey</u> Chris A. Downey	Director	March 15 , 2016
<u>/s/ Joseph W. Glauber</u> Joseph W. Glauber	Director	March 15 , 2016
<u>/s/ Darell D. Sarff</u> Darell D. Sarff	Director	March 15 , 2016

Farmland Partners Inc.

**FORM 10-K FOR THE YEAR ENDED
December 31, 2015**

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Note: All other schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Farmland Partners Inc.

In our opinion, the combined consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Farmland Partners Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related combined consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Denver, Colorado
March 15, 2016

Farmland Partners Inc.
Combined Consolidated Balance Sheets
as of December 31, 2015 and 2014

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Land, at cost	\$ 290,827,559	\$ 152,294,899
Grain facilities	4,830,059	2,650,607
Groundwater	6,332,784	5,004,942
Irrigation improvements	11,909,097	5,188,459
Drainage improvements	1,640,999	783,475
Permanent plantings	1,168,493	—
Other	912,889	570,574
Construction in progress	286,488	—
Real estate, at cost	317,908,368	166,492,956
Less accumulated depreciation	(1,670,530)	(777,469)
Total real estate, net	316,237,838	165,715,487
Deposits	764,695	419,548
Cash	23,514,296	33,736,166
Notes and interest receivable, net	2,811,566	—
Deferred offering costs	267,253	—
Accounts receivable, net	703,269	336,919
Accounts receivable, related party	—	182,763
Inventory	248,597	—
Other	406,771	267,431
TOTAL ASSETS	\$ 344,954,285	\$ 200,658,314
LIABILITIES AND EQUITY		
LIABILITIES		
Mortgage notes and bonds payable, net	\$ 187,074,041	\$ 113,513,407
Dividends payable	2,059,886	1,122,504
Accrued interest	681,494	238,933
Accrued property taxes	764,542	241,221
Deferred revenue (See Note 2)	4,853,837	1,364,737
Accrued expenses	1,292,430	651,672
Total liabilities	196,726,230	117,132,474
Commitments and contingencies (See Note 6 and Note 8)		
Redeemable non-controlling interest in operating partnership	9,694,453	—
EQUITY		
Common stock, \$0.01 par value, 500,000,000 shares authorized; 11,978,675 shares issued and outstanding at December 31, 2015, and 7,731,755 shares issued and outstanding at December 31, 2014	117,634	75,175
Additional paid in capital	114,783,088	68,980,437
Retained earnings (deficit)	659,022	(568,192)
Cumulative dividends	(7,188,295)	(2,130,218)
Non-controlling interests in operating partnership	30,162,153	17,168,638
Total equity	138,533,602	83,525,840
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST IN OPERATING PARTNERSHIP AND EQUITY	\$ 344,954,285	\$ 200,658,314

See accompanying notes.

Farmland Partners Inc.
Combined Consolidated Statements of Operations
For the years ended December 31, 2015, 2014 and 2013

	For the Years Ended December 31,		
	2015	2014	2013
OPERATING REVENUES:			
Rental income (See Note 2)	\$ 13,547,681	\$ 3,970,461	\$ 2,350,025
Tenant reimbursements	135,297	247,664	—
Other revenue	73,169	—	—
Total operating revenues	13,756,147	4,218,125	2,350,025
OPERATING EXPENSES			
Depreciation and depletion	893,309	328,576	148,547
Property operating expenses	1,103,658	248,643	37,535
Acquisition and due diligence costs	259,978	193,296	257
General and administrative expenses	4,192,125	2,275,426	155,126
Legal and accounting	1,090,340	615,339	632,094
Total operating expenses	7,539,410	3,661,280	973,559
OPERATING INCOME	6,216,737	556,845	1,376,466
OTHER (INCOME) EXPENSE:			
Other income	(98,366)	(144,020)	—
Interest expense	4,616,434	1,372,162	1,342,294
Total other expense	4,518,068	1,228,142	1,342,294
Net income (loss) before income tax expense	1,698,669	(671,297)	34,172
State income tax expense	9,951	—	—
NET INCOME (LOSS)	1,688,718	(671,297)	34,172
Net (income) loss attributable to non-controlling interest in operating partnership	(359,643)	103,105	—
Net income attributable to redeemable non-controlling interest in operating partnership	(101,861)	—	—
Net income (loss) attributable to the Company	\$ 1,227,214	\$ (568,192)	\$ 34,172
Nonforfeitable distributions allocated to unvested restricted shares	(80,422)	(69,856)	—
Distributions on redeemable non-controlling interests in operating partnership	(338,024)	—	—
Net income (loss) available to common stockholders of Farmland Partners Inc.	\$ 808,768	\$ (638,048)	\$ 34,172
Basic and diluted per common share data:			
Basic net income (loss) available to common stockholders	\$ 0.08	\$ (0.15)	
Diluted net income (loss) available to common stockholders	\$ 0.08	\$ (0.15)	
Basic weighted average common shares outstanding	9,618,714	4,264,906	
Diluted weighted average common shares outstanding	9,628,651	4,264,906	

See accompanying notes.

Farmland Partners Inc.
Combined Consolidated Statements of Equity
For the years ended December 31, 2015, 2014 and 2013

	Stockholders' Equity						Non -controlling Interest in Operating Partnership	Total
	Common Stock			Retained Earnings (Deficit)	Cumulative Dividends	Members' Deficit		
	Shares	Par Value	Additional Paid-in Capital					
Balance at December 31, 2012	—	\$ —	\$ —	\$ —	\$ —	\$ 333,368	\$ —	\$ 333,368
Net income	—	—	—	—	—	34,172	—	34,172
Contributions	—	—	—	—	—	1,673,450	—	1,673,450
Distributions	—	—	—	—	—	(6,764,912)	—	(6,764,912)
Issuance of Original Shares	1,000	10	990	—	—	—	—	1,000
Balance at December 31, 2013	1,000	10	990	—	—	(4,723,922)	—	(4,722,922)
Net loss	—	—	—	(568,192)	—	—	(103,105)	(671,297)
Contributions	—	—	—	—	—	1,178,107	—	1,178,107
Distributions	—	—	—	—	—	(16,765)	(1,071,592)	(1,088,357)
Distribution of accounts receivable	—	—	—	—	—	(450,833)	—	(450,833)
Exchange of members' deficit for OP units	—	—	—	—	—	4,013,413	(4,013,413)	—
Proceeds from initial public offering, net of offering costs of \$1,451,153 and underwriters discount of \$3,724,000	3,800,000	38,000	47,986,847	—	—	—	—	48,024,847
Proceeds from underwritten public offering, net of offering costs of \$803,937 and underwriters discount of \$2,323,420	3,717,472	37,175	43,303,868	—	—	—	—	43,341,043
Grant of unvested restricted stock	214,283	—	—	—	—	—	—	—
Stock based compensation	—	—	680,540	—	—	—	—	680,540
Dividends accrued or paid	—	—	—	—	(2,130,218)	—	(634,070)	(2,764,288)
Redemption of initial shares	(1,000)	(10)	(990)	—	—	—	—	(1,000)
Adjustment to non-controlling interest resulting from changes in ownership of the Operating Partnership	—	—	(22,990,818)	—	—	—	22,990,818	—
Balance at December 31, 2014	7,731,755	75,175	68,980,437	(568,192)	(2,130,218)	—	17,168,638	83,525,840
Net income	—	—	—	1,227,214	—	—	359,643	1,586,857
Proceeds from underwritten public offering, net of offering costs of \$525,689 and underwriting discount of \$1,848,000	3,360,000	33,600	34,552,711	—	—	—	—	34,586,311
Share repurchase and retirement	(2,130)	(21)	(20,911)	—	—	—	—	(20,932)
Grant of unvested restricted stock	9,383	—	—	—	—	—	—	—
Forfeiture of unvested restricted stock	(8,312)	—	(15,690)	—	—	—	—	(15,690)
Stock based compensation	—	—	957,492	—	—	—	—	957,492
Dividends accrued or paid	—	—	—	—	(5,058,077)	—	(1,485,411)	(6,543,488)
Issuance of stock as consideration in real estate acquisitions	887,979	8,880	9,747,509	—	—	—	—	9,756,389
Issuance of OP units as consideration in real estate acquisitions	—	—	—	—	—	—	14,936,987	14,936,987
Adjustment to arrive at redemption value of redeemable non-controlling interest in Operating Partnership	—	—	(236,164)	—	—	—	—	(236,164)
Adjustment to non-controlling interest resulting from changes in ownership of the Operating Partnership	—	—	817,704	—	—	—	(817,704)	—
Balance at December 31, 2015	11,978,675	\$ 117,634	\$ 114,783,088	\$ 659,022	\$ (7,188,295)	\$ —	\$ 30,162,153	\$ 138,533,602

See accompanying notes.

Farmland Partners Inc.
Combined Consolidated Statements of Cash Flow s
For the years ended December 31, 2015, 2014 and 2013

	For the Years Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 1,688,718	\$ (671,297)	\$ 34,172
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and depletion	893,309	328,576	148,547
Amortization of discounts/premiums on debt	155,145	138,369	57,976
Amortization of net origination fees related to notes receivable	(12,350)	—	—
Amortization of below market leases	(186,512)	—	—
Stock based compensation	941,802	680,540	—
Loss on disposition of assets	1,987	7,419	—
Changes in operating assets and liabilities:			
Increase in accounts receivable	(76,687)	(458,934)	(463,700)
Decrease in interest receivable	7,781	—	—
Increase in other assets	(41,413)	(82,431)	—
Increase in inventory	(248,597)	—	—
Increase (decrease) in accrued interest payable	442,561	160,330	(154,795)
Increase in accrued expenses	207,526	101,927	549,745
Increase in deferred revenue	3,446,015	1,364,737	—
Increase (decrease) in accrued property taxes	475,486	213,345	(148,326)
Net cash provided by operating activities	7,694,771	1,782,581	23,619
CASH FLOWS FROM INVESTING ACTIVITIES			
Real estate acquisitions	(109,309,474)	(126,250,011)	(1,147,188)
Real estate improvements	(7,574,180)	(46,300)	(502,227)
Issuance of notes receivable	(2,830,000)	—	—
Origination fees on notes receivable	49,800	—	—
Payment of direct costs related to note receivable	(26,797)	—	—
Net cash used in investing activities	(119,690,651)	(126,296,311)	(1,649,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from mortgage notes payable	82,475,000	81,100,000	13,736,041
Repayments on mortgage notes payable	(9,128,300)	(12,311,237)	(6,869,535)
Proceeds from initial public offering	—	49,476,000	—
Proceeds from underwritten public offering	35,112,000	44,144,980	—
Common stock repurchased	(20,932)	—	—
Payment of offering costs	(780,917)	(2,255,090)	—
Payment of debt issuance costs	(238,711)	(369,528)	(175,398)
Proceeds from issuance of common stock	—	—	1,000
Redemption of common stock	—	(1,000)	—
Dividends on common stock	(4,427,680)	(1,641,784)	—
Refund of outstanding debt	300,000	—	—
Contributions from member	—	1,178,107	1,673,450
Distributions to member	—	(16,765)	(6,764,912)
Distributions to non-controlling interest in operating partnership	(1,516,450)	(1,071,592)	—
Net cash provided by financing activities	101,774,010	158,232,091	1,600,646
NET (DECREASE) INCREASE IN CASH	(10,221,870)	33,718,361	(25,150)
CASH, BEGINNING OF PERIOD	33,736,166	17,805	42,955
CASH, END OF PERIOD	\$ 23,514,296	\$ 33,736,166	\$ 17,805
Cash paid during period for interest	\$ 4,019,735	\$ 1,070,708	\$ 1,439,113
Cash paid during period for taxes	\$ 9,951	\$ —	\$ —
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING TRANSACTIONS:			
Transfer of deferred offering costs to equity, offset by deferred costs included in accrued expenses related to offering	—	\$ 699,013	—
Dividends payable	\$ 2,059,886	\$ 1,122,504	—
Distribution of accounts receivable to Pittman Hough Farms	—	\$ (450,833)	—
Seller carry notes	—	\$ 2,024,300	—
Additions to real estate improvements included in accrued expenses	\$ 429,243	—	—
Financing fees included in accrued expenses	\$ 2,500	—	—
Issuance of equity and contributions from redeemable non-controlling interests and non-controlling interest in operating partnership in conjunction with acquisitions	\$ 34,387,828	—	—
Below market lease acquisitions	\$ 229,597	—	—
Other assets acquired in business combination	\$ 109,952	—	—
Real estate acquisition costs included in accrued expenses	\$ 1,489	—	—
Cash acquired in business combination	—	\$ 1,000	—
Accounts receivable acquired in acquisitions	\$ 106,900	\$ 47,881	—
Property tax liability assumed in acquisitions	\$ 47,833	\$ 27,876	—

See accompanying notes

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements

Note 1—Organization and Significant Accounting Policies

Organization

Farmland Partners Inc., collectively with its subsidiaries (the “Company”), is an internally managed real estate company that owns and seeks to acquire high-quality farmland located in agricultural markets throughout North America. The Company was incorporated in Maryland on September 27, 2013. The Company is the sole member of the general partner of Farmland Partners Operating Partnership, LP (the “Operating Partnership”), which was formed in Delaware on September 27, 2013. As of December 31, 2015, the Company owned a portfolio of 130 farms, as well as eight grain storage facilities, which are consolidated in these financial statements. All of the Company’s assets are held by, and its operations are primarily conducted through, the Operating Partnership and the wholly owned subsidiaries of the Operating Partnership. As of December 31, 2015, the Company owned 74.1% of the common units of limited partnership interest in the Operating Partnership (“OP units”) (see “Note 9—Stockholders’ Equity and Non-controlling Interests” for additional discussion regarding OP units).

The Company and the Operating Partnership commenced operations upon completion of the underwritten initial public offering of shares of the Company’s common stock (the “IPO”) on April 16, 2014 (see “Note 9—Stockholders’ Equity and Non-controlling Interests”). Concurrently with the completion of the IPO, the Company’s predecessor, FP Land LLC, a Delaware limited liability company (“FP Land”), merged with and into the Operating Partnership, with the Operating Partnership surviving (the “FP Land Merger”). As a result of the FP Land Merger, the Operating Partnership succeeded to the business and operations of FP Land, including FP Land’s 100% fee simple interest in a portfolio of 38 farms and three grain storage facilities (the “Contributed Properties”).

The Company elected to be taxed as a real estate investment trust, or REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, (the “Code”), commencing with its short taxable year ended December 31, 2014.

On March 16, 2015, the Company formed FPI Agribusiness Inc., a wholly owned subsidiary (the “TRS” or “FPI Agribusiness”), as a taxable REIT subsidiary. The TRS was formed to provide purchasing services to the Company’s tenants and also to operate a small scale custom farming business on 641 acres of farmland owned by the Company and located in Nebraska.

For the years ended December 31, 2015 and 2014 the Company refers to number of farms and number of acres which are unaudited in this report.

Principles of Combination and Consolidation

The accompanying combined consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and the Operating Partnership. All significant intercompany balances and transactions have been eliminated in consolidation. Upon completion of the IPO and the related formation transactions, the Company succeeded to the operations of FP Land. FP Land was an entity under the common control of Mr. Pittman and was organized to hold the equity interests of PH Farms LLC, an Illinois limited liability company, and Cottonwood Valley Land, LLC, a Nebraska limited liability company, both of which are engaged in the ownership of farmland and property related to farming in agricultural markets in Illinois, Nebraska and Colorado. These financial statements retroactively reflect the consolidated equity ownership structure of the Company and the formation transactions. The formation transactions were accounted for at historical cost due to the existence of common control.

The Company’s financial condition as of December 31, 2015 and 2014, and the results of operations for the year ended December 31, 2015, reflect the financial condition and results of operations of the Company. Due to the timing of

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

the IPO and the formation transactions, the results of operations for the year ended December 31, 2014 reflect the results of operations of FP Land combined with the Company for the period prior to April 16, 2014, and the Company's consolidated results for the period from April 16, 2014 through December 31, 2014. The Company's results of operations for the year ended December 31, 2013 reflects the results of operations of FP Land.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Real Estate Acquisitions

The Company accounts for all acquisitions in accordance with the business combinations standard. When the Company acquires farmland that was previously operated as a rental property, the Company evaluates whether a lease is in place or a crop is being produced at the time of closing of the acquisition. If a lease is in place or a crop is being produced, the Company accounts for the transaction as a business combination and charges the costs associated with the acquisition to acquisition and due diligence costs on the statement of operations, as incurred. Otherwise, acquisitions with no lease in place or crops being produced at the time of acquisition are accounted for as an asset acquisitions with the transaction costs incurred capitalized to the assets acquired. When the Company acquires farmland in a sale-lease back transaction, the Company accounts for the transaction as an asset acquisition.

Upon acquisition of real estate, the Company allocates the purchase price of the real estate based upon the fair value of the assets and liabilities acquired, which historically have consisted of land, drainage improvements, irrigation improvements, groundwater, permanent plantings (bushes, shrubs, vines, and perennial crops), and grain facilities, and may also consist of intangible assets including in-place leases, above market and below market leases, and tenant relationships. The Company allocates the purchase price to the fair value of the tangible assets of acquired real estate by valuing the land as if it were unimproved. The Company values improvements, including permanent plantings and grain facilities, at replacement cost as new, adjusted for depreciation.

Management's estimates of land value are made using a comparable sales analysis. Factors considered by management in its analysis of land value include soil types and water availability and the sales prices of comparable farms. Management's estimates of groundwater value are made using historical information obtained regarding the applicable aquifer. Factors considered by management in its analysis of groundwater value are related to the location of the aquifer and whether or not the aquifer is a depletable resource or a replenishing resource. If the aquifer is a replenishing resource, no value is allocated to the groundwater. The Company includes an estimate of property taxes in the purchase price allocation of acquisitions to account for the expected liability that was assumed.

When above or below market leases are acquired, the Company values the intangible assets based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases that are considered bargain renewal options. The above market lease values are amortized as a reduction of rental income over the remaining term of the respective leases. The fair value of acquired below market leases, included in deferred revenue on the accompanying combined consolidated balance sheets, is amortized as an increase to rental income on a straight-line basis over the remaining non-cancelable terms of the respective leases, plus the terms of any below market fixed rate renewal options that are considered bargain renewal options of the respective leases. As of December 31, 2015, the aggregate gross amount of below market leases was \$229,597 with amortization for 2015 and the total accumulated amortization amounting to \$ 186,512 . There were no below market leases or related amortization recorded during the years ended December 31, 2014 and 2013, and no above market leases in the years ended December 31, 2015, 2014 and 2013.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

As of December 31, 2015 and 2014, the Company did not have any in-place lease or tenant relationship intangibles. The purchase price is allocated to in-place lease values and tenant relationships, if they are acquired, based on the Company's evaluation of the specific characteristics of each tenant's lease, availability of replacement tenants, probability of lease renewal, estimated down time, and its overall relationship with the tenant. The value of in-place lease intangibles and tenant relationships will be included as an intangible asset and will be amortized over the remaining lease term (including expected renewal periods of the respective leases for tenant relationships) as amortization expense. If a tenant terminates its lease prior to its stated expiration, any unamortized amounts relating to that lease, including (i) above and below market leases, (ii) in-place lease values, and (iii) tenant relationships, would be recorded to revenue or expense as appropriate.

The Company capitalizes acquisition costs and due diligence costs if the asset is expected to qualify as an asset acquisition. If the asset acquisition is abandoned, the capitalized asset acquisition costs will be expensed to acquisition and due diligence costs in the period of abandonment.

Total consideration for acquisitions may include a combination of cash and equity securities. When equity securities are issued, we determine the fair value of the equity securities issued based on the number of shares of common stock, and OP units, issued multiplied by the stock price on the date of closing in the case of common stock and OP units and by liquidation preference in the case of preferred units.

Using information available at the time of acquisition, the Company allocates the total consideration to tangible assets and liabilities and identified intangible assets and liabilities. During the measurement period, which may be up to one year from the acquisition date, the Company may adjust the preliminary purchase price allocations after obtaining more information about assets acquired and liabilities assumed at the date of acquisition.

Real Estate

The Company's real estate consists of land, groundwater and improvements made to the land consisting of permanent plantings, grain facilities, irrigation improvements, drainage improvements and other improvements. The Company records real estate at cost and capitalizes improvements and replacements when they extend the useful life or improve the efficiency of the asset. Construction in progress includes the costs to build new grain storage facilities and install new pivots and wells on newly acquired farms. The Company begins depreciating assets when the asset is ready for its intended use.

The Company expenses costs of repairs and maintenance at the time such costs are incurred. The Company computes depreciation and depletion for assets classified as improvements using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Grain facilities	10 - 40
Irrigation improvements	2 - 40
Drainage improvements	27 - 65
Groundwater	3 - 50
Permanent plantings	23
Other	5 - 40

The Company periodically evaluates the estimated useful lives for groundwater based on current state water regulations and depletion levels of the aquifers.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

When a sale occurs, the Company recognizes the associated gain when all consideration has been transferred, the sale has closed and there is no material continuing involvement. If a sale is expected to generate a loss, the Company first assesses it through the impairment evaluation process—see “Impairment of Real Estate Assets” below.

Impairment of Real Estate Assets

The Company evaluates its tangible and identifiable intangible real estate assets for impairment indicators whenever events such as declines in a property’s operating performance, deteriorating market conditions or environmental or legal concerns bring recoverability of the carrying value of one or more assets into question. If such events are present, the Company projects the total undiscounted cash flows of the asset, including proceeds from disposition, and compares them to the net book value of the asset. If this evaluation indicates that the carrying value may not be recoverable, an impairment loss is recorded in earnings equal to the amount by which the carrying value exceeds the fair value of the asset. There have been no impairments recognized on real estate assets in the accompanying financial statements.

Cash

The Company’s cash at December 31, 2015 and 2014 was held in the custody of two and three financial institutions, respectively, and the Company’s balance at any given financial institution may at times exceed federally insurable limits. The Company monitors balances with individual financial institutions to mitigate risks relating to balances exceeding such limits.

Debt Issuance Costs

Costs incurred by the Company or its predecessor in obtaining debt are deducted from the face amount of mortgage notes and bonds payable. During the year ended December 31, 2015, \$2,412,111 in costs were incurred in conjunction with the issuance of five bonds under the Farmer Mac Facility (as defined below). During the year ended December 31, 2014, \$135,340 and \$234,188 in costs were capitalized in conjunction with the modification of the First Midwest Bank debt on April 16, 2014 and the issuance of five bonds under the Farmer Mac Facility, respectively. Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the terms of the related indebtedness. Any unamortized amounts upon early repayment of mortgage notes payable are written off in the period in which repayment occurs. Fully amortized deferred financing fees are removed from the books upon maturity or repayment of the underlying debt. The Company recorded amortization expense of \$212,834 and \$138,369 for the years ended December 31, 2015 and 2014, respectively. The Company wrote off \$12,300 and \$26,929 to amortization expense, in debt issuance costs in conjunction with the early repayment of debt during the year ended December 31, 2015 and 2014, respectively. Accumulated amortization of deferred financing fees was \$310,274 and \$97,439 as of December 31, 2015 and 2014, respectively.

Notes and Interest Receivable

Notes receivable are stated at their unpaid principal balance and include unamortized direct origination costs, prepaid interest and accrued interest through the reporting date, less any allowance for losses and unearned borrower paid points.

Management determines the appropriate classification of debt securities at the time of issuance and reevaluates such designation as of each statement of financial position date. As of December 31, 2015, the Company had issued two notes under the FPI Loan Program (as described below) and have designated each of the notes receivable as held-to-maturity based on the Company’s positive intent and ability to hold the security until maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity computed under the straight-line method, which approximates the effective interest method. Such amortization, including interest, is included in other revenue within our combined consolidated statements of operations. See “Note 6—Notes Receivable.”

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Allowance for Note and Interest Receivable

A note is placed on non-accrual status when management determines, after considering economic and business conditions and collection efforts, that the note is impaired or collection of interest is doubtful. The accrual of interest on the instrument ceases when there is concern that principal or interest due according to the note agreement will not be collected. Any payment received on such non-accrual notes are recorded as interest income when the payment is received. The note is reclassified as accrual-basis once interest and principal payments become current. The Company periodically reviews the value of the underlying collateral of farm real estate for the note receivable and evaluates whether the value of the collateral continues to provide adequate security for the note. Should the value of the underlying collateral become less than the outstanding principal and interest, the Company will determine whether an allowance is necessary. Any uncollectible interest previously accrued is also charged off. As of December 31, 2015, we believe the value of the underlying collateral for each of the notes to be sufficient and in excess of the respective outstanding principal and accrued interest. There were no notes receivable that were past due at December 31, 2015.

Deferred Offering Costs

Deferred offering costs include incremental direct costs incurred by the Company in conjunction with proposed or actual offerings of securities. At the completion of the offering, the deferred offering costs are charged ratably as a reduction of the gross proceeds of equity as stock is issued. If an offering is abandoned, the previously deferred offering costs will be charged to operations in the period in which the abandonment occurs. The Company incurred \$792,942 and 0 in offering costs during the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the Company had \$267,253 and \$0, respectively, in deferred offering costs related to regulatory, legal, accounting and professional service costs associated with proposed or actual offerings of securities.

Accounts Receivable

Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on historical experience and current economic conditions. The allowance for doubtful accounts was \$78,186 and \$0 as of December 31, 2015 and 2014, respectively.

Inventory

The costs of growing crop are accumulated until the time of harvest at the lower of cost or market value and are included in inventory in our combined consolidated balance sheets. Costs are allocated to growing crops based on a percentage of the total costs of production and total operating costs that are attributable to the portion of the crops that remain in inventory at the end of the year. Growing crop consists primarily of land preparation, cultivation, irrigation and fertilization costs incurred by FPI Agribusiness. Growing crop inventory is charged to cost of products sold when the related crop is harvested and sold.

Harvested crop inventory includes costs accumulated both during the growing and harvesting phases and are stated at the lower of those costs or the estimated net realizable value, which is the market price, based upon the nearest market in the geographic region, less any cost of disposition. Cost of disposition includes broker's commissions, freight and other marketing costs.

Other inventory, such as fertilizer and pesticides, is valued at the lower of cost or market.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Inventory consisted of the following:

	<u>December 31, 2015</u>
Harvested crop	\$ 242,511
Fertilizer and pesticides	6,086
	<u>\$ 248,597</u>

There was no inventory at December 31, 2014.

Revenue Recognition

Rental income includes rents that each tenant pays in accordance with the terms of its lease. Minimum rents pursuant to leases are recognized as revenue on a straight-line basis over the lease term, including renewal options in the case of bargain renewal options. Deferred revenue includes the cumulative difference between the rental revenue recorded on a straight-line basis and the cash rent received from tenants in accordance with the lease terms. Acquired below market leases are included in deferred revenue on the accompanying combined consolidated balance sheets, which are amortized into rental income over the life of the respective leases, plus the terms of the below market renewal options, if any.

Leases in place as of December 31, 2015 had terms ranging from one to five years. As of December 31, 2015, the Company had 17 leases with renewal options and one lease with rent escalations. The majority of the Company's leases provide for a fixed annual or semi-annual cash rent payment. Tenant leases on acquired farms generally require the tenant to pay the Company rent for the entire initial year regardless of the date of acquisition, if the acquisition is closed prior to, or shortly after, planting of crops. If the acquisition is closed later in the year, the Company typically receives a partial rent payment or no rent payment at all.

Certain of the Company's leases provide for a rent payment determined as a percentage of the gross farm proceeds, a percentage of harvested crops, or a fixed crop quantity at a fixed price. As of December 31, 2015, a majority of such leases provided for a rent payment determined as a percentage of the gross farm proceeds. Revenue under leases providing for a payment equal to a percentage of the harvested crop or a percentage of the gross farm proceeds is recognized upon notification from the grain facility that grain has been delivered in the Company's name or when the tenant has notified the Company of the total amount of gross farm proceeds.

Certain of the Company's leases provide for minimum cash rent plus a bonus based on gross farm proceeds. Revenue under this type of lease is recognized on a straight-line basis over the lease term based on the minimum cash rent. Bonus rent is recognized upon notification from the tenant of the gross farm proceeds for the year.

Tenant reimbursements include reimbursements for real estate taxes that each tenant pays in accordance with the terms of its lease. When leases require that the tenant reimburse the Company for property taxes paid by the Company, the reimbursement is reflected as tenant reimbursement revenue on the statements of operations, as earned, and the related property tax as property operating expense, as incurred. When a lease requires that the tenant pay the taxing authority directly, the Company does not incur this cost. If and when it becomes probable that a tenant will not be able to bear the property-related costs, the Company will accrue the estimated expense.

The Company records revenue from the sale of harvested crops when the harvested crop has been delivered to a grain facility and title has transferred. Harvested crops delivered under marketing contracts are recorded using the fixed price of the marketing contract at the time of delivery to a grain facility. Harvested crops delivered without a marketing contract are recorded using the market price at the date the harvested crop is delivered to the grain facility and title has transferred.

The Company recognizes interest income on notes receivable on an accrual basis over the life of the note. Direct origination costs are netted against loan origination fees and are amortized over the life of the note using the straight-line

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

method, which approximates the effective interest method, as an adjustment to interest income which is included in operating revenues as a component of other revenue in the Company's Combined Consolidated Statements of Operations for the years ended December 31, 2015 and 2014.

Income Taxes

As a REIT, the Company is permitted to deduct dividends, for income tax purposes, paid to its stockholders, thereby eliminating the U.S. federal taxation of income represented by such distributions at the Company level, provided certain requirements are met. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company incurred state income tax expense totaling \$9,951 for the year ended December 31, 2015, with no income tax expense for the years ended December 31, 2014 and 2013.

The Operating Partnership leases certain of its farms to the TRS, which is subject to federal and state income taxes. The TRS accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis of assets and liabilities and their respective income tax basis and for operating loss, capital loss and tax credit carryforwards based on enacted income tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not they will be realized on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. There was no taxable income from the TRS for the year ended December 31, 2015, and at December 31, 2015, the Company did not have any deferred tax assets or liabilities.

The Company performs an annual review for any uncertain tax positions and, if necessary, will record future tax consequences of uncertain tax positions in the financial statements. An uncertain tax position is defined as a position taken or expected to be taken in a tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. At December 31, 2015, the Company did not identify any uncertain tax positions.

When the Company acquires a property in a business combination, the Company evaluates such acquisition for any related deferred tax assets or liabilities and determines if a deferred tax asset or liability should be recorded in conjunction with the purchase price allocation. If a built-in gain is acquired, the Company evaluates the required holding period (generally 5 - 10 years) and determines if it has the ability and intent to hold the underlying assets for the necessary holding period. If the Company has the ability to hold the underlying assets for the required holding period, no deferred tax liability is recorded with respect to the built-in gain.

Derivatives and Hedge Accounting

The Company enters into marketing contracts to sell commodities. Derivatives and hedge accounting guidance requires a company to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that meet the definition of a derivative may be exempt from derivative accounting if designated as normal purchase or normal sales. The Company evaluates all contracts at inception to determine if they are derivatives and if they meet the normal purchase and normal sale designation requirements. All contracts entered into during the year ended December 31, 2015 met the criteria to be exempt from derivative accounting and have been designated as normal purchase and sales exceptions for hedge accounting.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Segment Reporting

The Company's chief operating decision maker does not evaluate performance on a farm-specific or transactional basis and does not distinguish the Company's principal business or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company believes it has a single operating segment for reporting purposes in accordance with GAAP.

Earnings Per Share

Basic earnings per share is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during the period, excluding the weighted average number of unvested restricted shares ("participating securities" as defined in "Note 9—Stockholders' Equity and non-controlling Interests"). Diluted earnings per share is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during the period, plus other potentially dilutive securities such as stock grants or shares that would be issued in the event that OP units are redeemed for shares of common stock of the Company. No adjustment is made for shares that are anti-dilutive during a period.

Non-controlling Interests

The Company's non-controlling interests are interests in the Operating Partnership not owned by the Company. The Company evaluates whether non-controlling interests are subject to redemption features outside of its control. The Company classifies non-controlling interests that are contingently redeemable solely for cash (unless stockholder approval is obtained to redeem for shares of common stock) one year after issuance or deemed probable to eventually become redeemable and which have redemption features outside of its control, as redeemable non-controlling interests in the mezzanine section of the combined consolidated balance sheets. The Company has elected to accrete the change in redemption value subsequent to issuance and during the respective 12-month holding period, after which point the units will be marked to redemption value at each reporting period. The majority of the Company's non-controlling interests, which are redeemable for cash or shares of the Company's common stock at the Company's option, are reported in the equity section of the Company's combined consolidated balance sheets. The amounts reported for non-controlling interests on the Company's combined consolidated statements of operations represent the portion of income or losses not attributable to the Company.

Stock Based Compensation

From time to time, the Company may award non-vested shares under the Company's Amended and Restated 2014 Equity Incentive Plan (the "Plan") as compensation to officers, employees, non-employee directors and non-employee consultants (see "Note 9—Stockholders' Equity and Non-controlling Interests"). The shares issued to officers, employees, and non-employee directors vest over a period of time as determined by the Board of Directors at the date of grant. The Company recognizes compensation expense for non-vested shares granted to officers, employees and directors on a straight-line basis over the requisite service period based upon the fair market value of the shares on the date of grant, as adjusted for forfeitures. The Company recognizes expense related to non-vested shares granted to non-employee consultants over the period that services are received. The change in fair value of the shares to be issued upon vesting is remeasured at each reporting period and is recorded in general and administrative expenses on the combined consolidated statements of operations. As a result of changes in the fair value of the unvested shares, the Company recorded increases in stock based compensation of \$ 12,596 and \$40,723 for the years ended December 31, 2015 and 2014, respectively. There was no impact in 2013 for stock based compensation as the Plan was not in place.

New or Revised Accounting Standards

The Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08"). Under this revised

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

guidance, only disposals representing a strategic shift in operations, such as a disposal of a major geographic area, a major line of business or a major equity method investment, will be presented as discontinued operations. The standard requires prospective application and became effective for interim and annual periods beginning on or after December 15, 2014 with early adoption permitted. The early adoption provision excludes components of an entity that were sold or classified as held for sale prior to the adoption of the standard. The Company elected to early adopt this standard effective January 1, 2014. Because there were no dispositions for the year ended December 31, 2014 and guidance is applied prospectively, there was no impact to the Company's statements of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606* ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. ASU 2014-09 implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2017, and early adoption is prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 will have on the Company's combined consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. The Company does not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

In February 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"), which amends or supersedes the scope and consolidation guidance under existing GAAP. The new standard changes the way a reporting entity evaluates whether (a) limited partnerships and similar entities should be consolidated, (b) fees paid to decision makers or service providers are variable interests in a variable interest entity ("VIE"), and (c) variable interests in a VIE held by related parties require the reporting entity to consolidate the VIE. ASU 2015-02 also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. ASU 2015-02 is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted. The Company intends to adopt this pronouncement during the three months ending March 31, 2016, and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge asset. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, but early adoption is permitted. The Company elected to early adopt the provisions of ASU 2015-03. The Company had unamortized deferred financing fees of \$380,970 and \$364,893 as of December 31, 2015 and 2014, respectively. These costs have been reclassified from deferred financing fees to mortgage notes and bonds payable, net. All periods presented have been retroactively adjusted.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

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

	December 31, 2014	
	As previously reported	Retroactive Application
Deferred finance fees, net	\$ 364,893	\$ —
Mortgage notes and bonds payable, net	\$ 113,878,300	\$ 113,513,407

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330) ("ASU 2015-11")*. The amendments require that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated sales price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect the adoption of this guidance to have any impact on its financial position, results of operations or cash flows.

In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated With Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting ("ASU 2015-15")*, which clarified that the SEC would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the arrangement. ASU 2015-15 is effective for annual periods beginning after December 15, 2015, but early adoption is permitted. The Company has assessed the impact of ASU 2015-15 and it does not have a material effect on the Company's combined consolidated financial statements or financial covenants. The Company will be adopting ASU 2015-15 in the quarterly period ended March 31, 2016.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16")*, pertaining to entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. The guidance requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Any adjustments should be calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The Company adopted the guidance effective for the quarterly period ended December 31, 2015. In the fourth quarter of 2015 the Company had two purchase price allocation adjustments which resulted in a \$42,578 decrease in land and a corresponding increase in other assets in addition to a \$688 decrease in depreciation expense and accumulated depreciation. The Company has several business combinations which are still within the measurement period and could result in adjustments.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) ("ASU 2016-02")*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). 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. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. 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 their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. 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 is expected to impact the Company's consolidated financial statements as the Company has an operating lease arrangement for which it is the lessee. ASC 842 supersedes the previous leases standard,

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance .

Note 2—Revenue Recognition

For the majority of its leases the Company receives at least 50% of the lease payment per year from tenants either during the first quarter of the year or at the time of acquisition of the related farm, with the remainder of the lease payment due in the second half of the year. As such, the rental income received is recorded on a straight-line basis over the lease term. The lease term generally includes periods when a tenant: (1) may not terminate its lease obligation early; (2) may terminate its lease obligation early in exchange for a fee or penalty that the Company considers material enough such that termination would not be probable; (3) possesses renewal rights and the tenant's failure to exercise such rights imposes a penalty on the tenant material enough such that renewal appears reasonably assured; or (4) possesses bargain renewal options for such periods. Payments received in advance are included in deferred revenue until they are earned. As of December 31, 2015 and 2014, the Company had \$ 4,853,837 , and \$1,364,737 , respectively, in deferred revenue. Unamortized below market leases as of December 31, 2015 were \$ 43,085 and are included in deferred revenue, with no below market leases at December 31, 2014.

The following represents a summary of the cash rent received and rental income recognized during the three years ended December 31, 2015:

	Cash rent received			Rental income recognized		
	For the year ended			For the year ended		
	December 31,			December 31,		
	2015	2014	2013	2015	2014	2013
Leases in effect at the beginning of the year	\$ 6,025,087	\$ 2,634,525	\$ 1,873,342	\$ 7,257,962	\$ 2,634,525	\$ 2,324,175
Leases entered into during the year	10,328,070	2,675,742	25,850	6,289,719	1,335,936	25,850
	<u>\$ 16,353,157</u>	<u>\$ 5,310,267</u>	<u>\$ 1,899,192</u>	<u>\$ 13,547,681</u>	<u>\$ 3,970,461</u>	<u>\$ 2,350,025</u>

Future minimum lease payments from tenants under all non-cancelable leases in place as of December 31, 2015, including lease advances, when contractually due, but excluding tenant reimbursement of expenses and lease payments based on a percentage of farming revenues, for each of the next five years as of December 31, 2015 are as follows:

Year Ending December 31,	Future rental payments
2016	\$ 15,739,561
2017	7,825,533
2018	4,259,999
2019	194,801
2020	81,936
	<u>\$ 28,101,830</u>

Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum lease payments due during the initial lease term only.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Note 3—Concentration Risk

Credit Risk

For the years ended December 31, 2015, 2014 and 2013, the Company had certain tenant concentrations as presented in the table below. Astoria Farms and Hough Farms are related parties (see “Note 4—Related Party Transactions”). If a significant tenant, representing a tenant concentration, fails to make rental payments to the Company or elects to terminate its leases, and the land cannot be re-leased on satisfactory terms, there would be a material adverse effect on the Company’s financial performance and the Company’s ability to continue operations. Rental income received is recorded on a straight-line basis over the applicable lease term. The following is a summary of our significant tenants:

	Rental income recognized						Cash rent received					
	For the year ended December 31,						For the year ended December 31,					
	2015		2014		2013		2015		2014		2013	
Astoria Farms	\$ 2,196,878	16.2 %	\$ 2,180,139	54.9 %	\$ 1,945,833	82.8 %	\$ 2,196,878	13.4 %	\$ 2,180,139	41.1 %	\$ 1,495,000	78.7 %
Hough Farms	523,880	3.9 %	294,700	7.4 %	234,083	10.0 %	528,824	3.2 %	294,700	5.5 %	234,083	12.3 %
Justice Family Farms (1)	3,508,733	25.9 %	—	—	—	—	6,755,672	41.3 %	770,727	14.5 %	—	—
Hudye Farms tenant A (2)	806,961	6.0 %	418,914	10.6 %	—	—	677,612	4.1 %	677,612	12.8 %	—	—
	<u>\$ 7,036,452</u>	<u>52.0 %</u>	<u>\$ 2,893,753</u>	<u>72.9 %</u>	<u>\$ 2,179,916</u>	<u>92.8 %</u>	<u>\$ 10,158,986</u>	<u>62.0 %</u>	<u>\$ 3,923,178</u>	<u>73.9 %</u>	<u>\$ 1,729,083</u>	<u>91.0 %</u>

(1) The Justice farms were acquired in two separate transactions that closed on December 22, 2014 and June 2, 2015.

(2) The Hudye farm was acquired on June 12, 2014.

Geographic Risk

The following table summarizes the percentage of approximate total acres owned as of December 31, 2015, 2014 and 2013 and rental income recorded by the Company for the years then ended by location of the farm:

Location of Farm	Approximate % of total acres			Rental Income		
	As of December 31,			For the year ended December 31,		
	2015	2014	2013	2015	2014	2013
Colorado	27.3 %	38.9 %	13.1 %	18.7 %	26.8 %	3.0 %
North Carolina	14.9 %	—	—	16.2 %	—	—
Arkansas	14.0 %	17.4 %	—	10.1 %	4.5 %	—
South Carolina	13.4 %	14.7 %	—	15.1 %	—	—
Illinois	8.1 %	12.4 %	78.5 %	16.9 %	56.6 %	87.0 %
Nebraska	7.9 %	6.8 %	8.4 %	10.1 %	7.4 %	10.0 %
Mississippi	5.8 %	4.2 %	—	6.0 %	0.6 %	—
Other	8.6 %	5.6 %	—	6.9 %	4.1 %	—
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Note 4—Related Party Transactions

See “Note 5 — Real Estate” for related party acquisition of the Tomasek farm.

As of December 31, 2015 and 2014, 11% and 15% , respectively, of the acres in t he Company’s farm portfolio were rented to and operated by Astoria Farms or Hough Farms, both of which were related parties. Astoria Farms is a partnership in which Pittman Hough Farms LLC (“Pittman Hough Farms”), which was 75% owned by Mr. Pittman, had

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

a 33.34% interest. The balance of Astoria Farms was held by limited partnerships in which Mr. Pittman was the general partner. Hough Farms is a partnership in which Pittman Hough Farms had a 25% interest. Effective as of December 31, 2015, Mr. Pittman neither owns any direct or indirect interest in, nor has control of, Astoria Farms and Hough Farms. The aggregate rent recognized by the Company for these entities for the years ended December 31, 2015, 2014 and 2013 was \$2,720,757, \$2,474,839 and \$2,179,916, respectively. As of December 31, 2015 and 2014, the Company had accounts receivable from these entities of \$0 and \$182,763, respectively.

For the years ended December 31, 2015 and 2014, Pittman Hough Farms incurred \$0 and \$219,597, respectively, in professional fees on behalf of the Company. These fees were reimbursed by the Company. As of December 31, 2015 and 2014, the Company had no outstanding payables to Pittman Hough Farms.

American Agriculture Corporation ("American Agriculture") is a Colorado corporation that was 75% owned by Mr. Pittman and 25% owned by Jesse J. Hough, who provides consulting services to the Company. Effective as of December 31, 2015, Mr. Pittman does not own any interest in American Agriculture. On April 16, 2014, the Company entered into a shared services agreement with American Agriculture pursuant to which the Company paid American Agriculture an annual fee of \$175,000 in equal quarterly installments in exchange for administrative and accounting services. The agreement was terminated effective December 31, 2014, by mutual agreement of both parties. The Company incurred \$123,958 in fees related to the shared services agreement during the year ended December 31, 2014, which are included in general and administrative expenses in the combined consolidated statements of operations. The Company did not incur any such fees during the year ended December 31, 2013.

The Company reimbursed American Agriculture \$21,259 for general and administrative expenses during the year ended December 31, 2015, which are included in general and administrative expenses in the combined consolidated statements of operations. As of December 31, 2015 the Company had outstanding receivables from American Agriculture of \$5,574, while at December 31, 2014, the Company had outstanding payables to American Agriculture of \$49,160, included in accrued expenses in the combined consolidated balance sheets.

On July 21, 2015, the Company entered into a lease agreement with American Agriculture Aviation LLC ("American Ag Aviation") for the use of a private plane. American Ag Aviation is a Colorado limited liability company that is owned 100% by Mr. Pittman. During the year ended December 31, 2015, the Company incurred costs of \$103,090 from American Ag Aviation for use of the aircraft in accordance with the lease agreement. These costs were recognized based on the nature of the associated use, as follows: (i) general and administrative - expensed as general and administrative expenses within the Company's combined consolidated statements of operations; (ii) land acquisition (accounted for as an asset acquisition) - allocated to the acquired real estate assets within the Company's combined consolidated balance sheets; and (iii) land acquisition (accounted for as a business combination) - expensed as acquisition and due diligence costs within the Company's combined consolidated statements of operations.

On April 1, 2015, the TRS and Hough Farms entered into a custom farming arrangement, pursuant to which Hough Farms performs custom farming on 563 acres. During the year ended December 31, 2015, the Company incurred \$51,303 in custom farming costs, which are included in inventory in the combined consolidated balance sheets. As of December 31, 2015, the Company owed Hough Farms \$11,946 for fungicide application related costs, which are included in accrued expenses in the combined consolidated balance sheet.

On March 21, 2014 and April 16, 2014, the Company and FP Land entered into reimbursement agreements with Pittman Hough Farms to reimburse Pittman Hough Farms for costs incurred to complete the IPO and the FP Land Merger. The amount of the costs that were reimbursed was reduced by interest expense of \$78,603 related to outstanding debt at the time of the FP Land Merger, which was accrued by FP Land as of December 31, 2013. The aggregate net reimbursable amount under the agreements was \$1,361,321. On June 9, 2014, the Company and the Operating Partnership entered into an additional reimbursement agreement with Pittman Hough Farms for \$51,537 in professional fees incurred prior to the IPO.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Note 5—Real Estate

As of December 31, 2015, the Company owned 130 separate farms, as well as eight grain storage facilities.

During year ended December 31, 2015, the Company acquired the following farms:

<u>Acquisition / Farm</u>	<u>County</u>	<u>Date acquired</u>	<u>Total approximate acres</u>	<u>Purchase price</u>	<u>Acquisition costs</u>	<u>Type of acquisition</u>
Swarek	Quitman, MS	1/14/2015	850	\$ 3,511,919	\$ 5,819	Asset acquisition
Stonington Bass	Baca, CO	2/18/2015	997	2,079,000	1,277	Business combination
Benda Butler	Butler, NE	2/24/2015	73	605,799	1,393	Asset acquisition
Benda Polk	Polk, NE	2/24/2015	123	860,998	1,748	Asset acquisition
Timmerman (1)	Phillips, CO	3/13/2015	315	2,026,220	477	Asset acquisition
Cypress Bay	Bamberg, SC	3/13/2015	502	2,303,573	3,573	Asset acquisition
Nebraska Battle Creek farms (5 farms) (2)	Madison, NE	4/10/2015	1,117	9,022,595	19,776	Business combination
Northeast Nebraska farms (6 farms) (3)	Pierce, NE	4/10/2015	1,160	8,981,209	19,761	Business combination
Drury	Yuma, CO	4/10/2015	160	950,000	396	Business combination
Sutter	Yuma, CO	4/17/2015	322	2,000,056	56	Asset acquisition
Bobcat	St. Francis, AR	4/30/2015	934	3,024,750	11,642	Business combination
Swindoll Darby	Tunica, MS	5/14/2015	359	1,468,457	2,207	Asset acquisition
Abraham	Fulton, IL	5/29/2015	110	761,844	2,191	Asset acquisition
Justice farms (8 farms) (4)	(5)	6/2/2015	14,935	80,913,167	198,533	Asset acquisition
Tomasek (6)	McDonough, IL	6/30/2015	58	690,463	2,162	Business combination
Purdy	Crittenden & Mississippi, AR	7/2/2015	1,383	6,167,992	21,342	Asset acquisition
Matthews	Tunica & DeSoto, MS	7/10/2015	1,130	5,576,210	21,810	Asset acquisition
Riccioni	Van Buren, MI	9/15/2015	181	2,557,595	13,595	Asset acquisition
Herrmann	Polk, NE	10/1/2015	160	1,288,000	1,600	Business combination
Mobley	Telfair, GA	10/9/2015	1,069	3,676,100	5,435	Business combination
Erker Wallace (2 farms)	Wallace, KS & Kit Carson, CO	12/4/2015	1,217	1,915,309	108	Asset acquisition
Howe	McDonough, IL	12/15/2015	78	815,006	3,146	Asset acquisition
Selph	Telfair, GA	12/17/2015	116	528,398	2,098	Asset acquisition
Myers	Telfair, GA	12/17/2015	182	660,407	2,407	Asset acquisition
Kosch	Butler, NE	12/15/2015	80	732,815	6,105	Asset acquisition
Kinnison	Sedgwick, CO	12/30/2015	171	235,763	763	Asset acquisition
			<u>27,782</u>	<u>\$ 143,353,645</u>	<u>\$ 349,420</u>	

- (1) On March 13, 2015, the Company issued 63,581 shares of common stock (with a fair value of \$712,743 as of the date of closing) as partial consideration for the acquisition of the Timmerman farm.
- (2) On April 10, 2015, the Company issued 118,634 OP units (with a fair value of \$1,372,595 as of the date of closing) as partial consideration for the acquisition of the Nebraska Battle Creek farms.
- (3) On April 10, 2015, the Company issued 119,953 OP units (with a fair value of \$1,387,856 as of the date of closing) as partial consideration for the acquisition of the Northeast Nebraska farms.
- (4) On June 2, 2015, the Company issued 824,398 shares of common stock and 1,993,709 OP units, of which 883,724 are redeemable for cash, or at the Company's option shares of common stock on a one for one basis up to a maximum of 1,109,985 shares (with an aggregate fair value of \$30,914,634, as of the date of closing) as partial consideration for the acquisition of the Justice farms. See "Note 9—Stockholders Equity and Non-controlling Interests".
- (5) The Justice farms are located in Beaufort, Currituck, Pamlico, Pasquotank and Perquimans counties, NC; Marlboro County, SC; and Chesapeake, VA.
- (6) On June 30, 2015, the Company acquired the Tomasek property from Mr. Pittman. In connection with the acquisition, the Company assumed a two year lease with Astoria Farms with annual rents of \$18,749.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

During the year ended December 31, 2014, the Company acquired the following farms:

<u>Acquisition / Farm</u>	<u>County</u>	<u>Date acquired</u>	<u>Total approximate acres</u>	<u>Purchase price</u>	<u>Acquisition costs</u>	<u>Type of acquisition</u>
Erker (5 farms)	Kit Carson, CO	5/30/2014	3,171	\$ 7,644,339	\$ 5,017	Asset acquisition
	Kit Carson & Cheyenne, CO & Sherman & Logan, KS	6/12/2014	12,500	24,500,000	63,836	Business combination
Hudye (11 farms) (1)						
Broadwater	Morrill, NE	7/1/2014	640	1,040,666	666	Asset acquisition
Ruder	Yell, AR	9/24/2014	667	2,705,800	9,180	Business combination
Bonita Brake	Morehouse, LA	10/15/2014	1,088	5,151,505	10,341	Business combination
Davis	Richland Parish, LA	10/16/2014	885	3,867,500	14,959	Business combination
Ballymore	Yell, AR	10/24/2014	1,281	4,600,000	8,531	Business combination
Stonington Smith	Baca, CO	10/29/2014	1,308	3,925,031	1,031	Asset acquisition
Proventus	Sunflower, MS	11/21/2014	1,964	6,786,445	3,445	Asset acquisition
Prague	Butler, NE	11/21/2014	80	345,958	1,958	Asset acquisition
Crow	Yell, AR	12/1/2014	668	2,316,000	4,530	Business combination
	Jackson, AR and Craighead, AR	12/3/2014	1,505	7,200,080	12,680	Asset acquisition
Vendome						
Beck	Merrick, NE	12/8/2014	161	1,128,437	1,437	Asset acquisition
Otterpohl	Merrick, NE	12/8/2014	162	1,013,546	2,609	Asset acquisition
Kropatsch	Polk, NE	12/8/2014	80	774,371	2,371	Asset acquisition
Jarecki	Polk, NE	12/8/2014	160	1,641,886	1,886	Asset acquisition
Tindall	Polk, NE	12/8/2014	160	1,313,599	1,599	Asset acquisition
Fadschild	Butler, NE	12/11/2014	155	1,684,700	1,757	Asset acquisition
Carruthers	Phillips, CO	12/12/2014	160	1,140,291	1,892	Asset acquisition
Reimer	Phillips, CO	12/12/2014	162	1,096,414	1,613	Asset acquisition
Hoffner	Yuma, CO	12/12/2014	320	1,891,030	1,603	Asset acquisition
Long Prairie	Lonoke, AR	12/15/2014	518	2,110,047	4,635	Asset acquisition
	Prairie, AR and White, AR	12/15/2014	1,472	5,484,707	10,222	Asset acquisition
Jackson						
Taylor	Chase, NE	12/15/2014	770	2,477,592	2,592	Asset acquisition
Diantha West	Jefferson, AR	12/17/2014	712	3,429,822	12,222	Asset acquisition
Jacoby	Yuma, CO	12/18/2014	160	996,664	2,669	Asset acquisition
	Clarendon, Lee, Marion and Sumter, SC	12/22/2014	6,818	27,599,641	149,641	Asset acquisition
Justice (7 farms) (2)						
Mentink	Polk, NE	12/22/2014	160	560,886	—	Asset acquisition
Garrott	Woodruff, AR	12/23/2014	1,275	3,428,806	13,806	Asset acquisition
			<u>39,162</u>	<u>\$ 127,855,763</u>	<u>\$ 348,728</u>	

- (1) On June 12, 2014, the Company acquired all of the outstanding stock in Hudye Farms U.S., Inc. ("HFUSI"), which owned an approximately 12,500-acre farm (referred to as the Hudye farm) located primarily in eastern Colorado, for \$24.5 million, excluding related acquisition costs of \$63,836. The Company funded this business combination with cash available from the IPO. All tenant leases were terminated by the previous owner prior to the closing of the acquisition. On June 20, 2014, HFUSI was merged with and into FPI Burlington Farms LLC, a wholly owned subsidiary of the Company, with FPI Burlington Farms LLC surviving. FPI Burlington Farms LLC entered into new leases with tenants on June 23, 2014. The new leases provide for aggregate annual cash rent of \$1.2 million. Rent for 2014 was paid at lease execution in its entirety, without proration. In conjunction with the business combination, the Company acquired a tax built-in gain of \$17.8 million. No deferred tax liability was recorded with respect to the tax built-in gain as the Company has the ability and intent to hold the property for the required holding period.
- (2) On December 22, 2014 the Company acquired the Justice farms. In conjunction with the allocation of the purchase price, the \$185,000 was allocated to the value of harvestable timber. The value of the unharvested timber has been included in other assets at December 31, 2015 and 2014.

During the year ended December 31, 2013 the predecessor company acquired one farm totaling 99.54 acres at a cost of \$1,147,188. This acquisition was accounted for as a business combination.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

The preliminary allocation of purchase price for the farms acquired during the year ended December 31, 2015 is as follows:

	Land	Groundwater	Irrigation improvements	Permanent plantings & other	Timber	Accounts receivable	Below Market Leases	Accrued property taxes	Total
Swarek Nebraska Battle Creek farms (5 farms)	\$ 3,470,706	\$ —	\$ 41,213	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,511,919
Northeast Nebraska farms (6 farms)	8,756,895	—	339,000	—	—	37,375	(88,950)	(21,725)	9,022,595
Bobcat	8,872,203	—	235,800	—	—	29,933	(140,647)	(16,080)	8,981,209
Justice farms (8 farms)	2,808,131	—	183,500	—	—	30,217	—	2,902	3,024,750
Purdy	80,680,943	—	95,831	93,682	53,770	—	—	(11,059)	80,913,167
Matthews	5,923,605	—	244,387	—	—	—	—	—	6,167,992
Mobley	5,337,735	—	77,475	161,000	—	—	—	—	5,576,210
Other	3,305,823	—	367,800	—	—	—	—	2,477	3,676,100
	18,620,449	1,327,842	1,085,892	1,440,493	—	9,375	—	(4,348)	22,479,703
	<u>\$ 137,776,490</u>	<u>\$ 1,327,842</u>	<u>\$ 2,670,898</u>	<u>\$ 1,695,175</u>	<u>\$ 53,770</u>	<u>\$ 106,900</u>	<u>\$ (229,597)</u>	<u>\$ (47,833)</u>	<u>\$ 143,353,645</u>

In its 2015 second quarter financial statements the initial accounting for the Justice acquisition had not been completed as all relevant information was not available at that time. In the fourth quarter of 2015, the Company recorded an adjustment in the measurement period to its purchase price allocation of \$77,452, which decreased land with a corresponding increase in other assets. There was no adjustment recorded to income or expense.

The allocation of the purchase price for the farms acquired during the year ended December 31, 2015 is preliminary and may change during the measurement period, which may be up to one year from the acquisition date, if the Company obtains new information regarding the assets acquired or liabilities assumed at the acquisition date.

The allocation of purchase price for the farms acquired during the year ended December 31, 2014 are as follows:

	Land	Groundwater	Irrigation Improvements	Permanent plantings & other	Timber	Accounts receivable	Cash	Accrued property taxes	Total
Erker (5 farms)	\$ 6,350,958	\$ 1,012,000	\$ 284,672	\$ —	\$ —	\$ —	\$ —	\$ (3,291)	\$ 7,644,339
Hudye (11 farms)	23,466,271	730,550	246,109	70,000	—	—	1,000	(13,930)	24,500,000
Bonita Brake	5,099,840	—	51,665	—	—	—	—	—	5,151,505
Davis	3,780,860	—	70,245	16,395	—	—	—	—	3,867,500
Ballymore	4,535,644	—	50,000	—	—	19,400	—	(5,044)	4,600,000
Stonington Smith	3,566,331	—	359,000	—	—	—	—	(300)	3,925,031
Proventus	6,653,545	—	132,900	—	—	—	—	—	6,786,445
Vendome	6,913,691	—	237,280	49,392	—	—	—	(283)	7,200,080
Jackson	5,246,567	—	238,140	—	—	—	—	—	5,484,707
Diantha West	3,241,742	—	98,500	81,899	—	7,681	—	—	3,429,822
Justice (7 farms)	25,619,444	—	1,410,917	384,280	185,000	—	—	—	27,599,641
Garrott	3,263,583	—	165,223	—	—	—	—	—	3,428,806
Other acquisitions	19,862,680	3,262,392	1,041,243	55,800	—	20,800	—	(5,028)	24,237,887
	<u>\$ 117,601,156</u>	<u>\$ 5,004,942</u>	<u>\$ 4,385,894</u>	<u>\$ 657,766</u>	<u>\$ 185,000</u>	<u>\$ 47,881</u>	<u>\$ 1,000</u>	<u>\$ (27,876)</u>	<u>\$ 127,855,763</u>

In its 2014 financial statements the initial accounting for the Diantha West acquisition had not been completed because all relevant information was not available at the time of closing. In the fourth quarter of 2015, the Company recorded an adjustment in the measurement period to its purchase price allocation of \$34,874, which increased land with a corresponding decrease in other real estate cost. Additionally, the change in the provisional amount resulted in a decrease in depreciation expense and accumulated depreciation of \$688 for the first six months of 2015.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

The Company has included the results of operations for the acquired real estate in the combined consolidated statements of operations from the dates of acquisition. The real estate acquired in business combinations during the year ended December 31, 2015 contributed \$924,754 to total revenue and \$706,544 to net income (including related real estate acquisition costs of \$ 62,049) for the year ended December 31, 2015. The real estate acquired during the year ended December 31, 2014 contributed \$1,036,148 to total revenue and \$829,918 to net income (loss) (including related real estate acquisition costs of \$111,197) for the year ended December 31, 2014.

The unaudited pro forma information presented below does not purport to represent what the actual results of operations of the Company would have been had the business combinations outlined above occurred as of the beginning of the periods presented, nor does it purport to predict the results of operations of future periods.

The unaudited pro forma information is presented below as if the real estate acquired in business combinations during the year ended December 31, 2015 had been acquired on January 1, 2014. The following table does not include pro forma financial information for the Stonington Bass, Drury, Herrmann and Bobcat farms, as historical results for the farms were not available. The unaudited pro forma financial information is presented below as if the Hudye and Ruder farms acquired during the year ended December 31, 2014 had been acquired on January 1, 2013.

	For the year ended	
	December 31,	
	2015	2014
Pro forma		
Total operating revenues	\$ 13,916,684	\$ 6,060,427
Net income (loss)	\$ 1,856,033	\$ 996,674
Earnings per share basic and diluted		
Income (loss) per basic share attributable to common stockholders	\$ 0.10	\$ 0.18
Income (loss) per diluted share attributable to common stockholders	\$ 0.10	\$ 0.18
Weighted-average number of common shares - basic	9,618,714	4,264,906
Weighted-average number of common shares - diluted	9,628,651	4,386,214

Note 6—Notes Receivable

In August 2015, the Company introduced an agricultural lending product aimed at farmers as a complement to the Company's business of acquiring and owning farmland and leasing it to farmers (the "FPI Loan Program"). Under the FPI Loan Program, the Company makes loans to third-party farmers (both tenant and non-tenant) to provide financing for working capital requirements and operational farming activities, farming infrastructure projects, and for other farming and agricultural real estate related projects. These loans are collateralized by farm real estate and are to be in principal amounts of \$500,000 or more at fixed interest rates with maturities of up to three years. The Company expects the borrower to repay the loans in accordance with the loan agreements based on farming operations and access to other forms of capital, as permitted. Notes receivable are stated at their unpaid principal balance, and include unamortized direct origination costs and accrued interest through the reporting date, less any allowance for losses and unearned borrower paid points.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

As of December 31, 2015, the Company held the following notes receivable:

Loan	Payment Terms	Principal Outstanding as of December 31, 2015	Maturity
Mortgage Note	Principal & interest due at maturity	\$ 1,800,000 (1)	1/15/2016(1)
Mortgage Note	Year 1 interest paid at note issuance, with remaining principal & interest due at maturity	980,000	10/30/2017
Term Note	Principal & interest due at maturity	50,000	2/2/2016(3)
Total outstanding principal		2,830,000	
Points paid, net of direct issuance costs		(10,653)	
Net prepaid interest		(7,781)(2)	
Total notes and interest receivable		\$ 2,811,566	

- (1) In January 2016 the note was extended to January 15, 2017 with the year 1 interest received at the time of the extension and principal and remaining interest due at maturity. The company has a commitment to fund an additional \$200,000 under this mortgage, subject to meeting certain requirements by the borrower.
- (2) Includes prepaid interest of \$60,025, net of \$52,244 of accrued interest receivable.
- (3) The note, including all outstanding interest, was paid in full in January 2016.

The collateral for the mortgage notes receivable consists of real estate and improvements present on such real estate. For income tax purposes the aggregate cost of the investment of the mortgage notes is the carrying amount per the table above.

Fair Value

FASB ASC 820-10 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is 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 to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- *Level 2* —Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable or can be substantially corroborated for the asset or liability, either directly or indirectly.
- *Level 3* —Inputs to the valuation methodology are unobservable, supported by little or no market activity and are significant to the fair value measurement.

The fair value of notes receivable is valued using Level 3 inputs under the hierarchy established by GAAP and is calculated based on a discounted cash flow analysis, using interest rates based on management's estimates of market interest rates on mortgage notes receivable with comparable terms whenever the interest rates on the notes receivable are deemed not to be at market rates. As of December 31, 2015 the fair value of the notes receivable was \$2,842,145.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Note 7—Mortgage Notes and Bonds Payable

As of December 31, 2015 and 2014, the Company had the following indebtedness outstanding:

Loan	Payment Terms	Interest Rate Terms	Annual Interest	Principal Outstanding as of		Maturity	Book Value of Collateral as of December 31,
			Rate as of December 31, 2015	December 31, 2015	December 31, 2014		2015
First Midwest Bank	Annual principal / quarterly interest	Greater of LIBOR + 2.59% and 2.80%	2.83%	\$ 650,000 (1)	\$ 754,000 (1)	June 2016	\$ 1,142,833 (2)
First Midwest Bank	Annual principal / quarterly interest	Greater of LIBOR + 2.59% and 2.80%	2.83%	26,000,000 (1)	30,000,000 (1)	March 2016	23,999,358 (3)
Farmer Mac Bond #1	Semi-annual interest only	2.40%	2.40%	20,700,000	20,700,000	September 2017	31,785,170 (4)
Farmer Mac Bond #2	Semi-annual interest only	2.35%	2.35%	5,460,000	5,460,000	October 2017	9,001,850 (5)
Farmer Mac Bond #3	Semi-annual interest only	2.50%	2.50%	10,680,000	10,680,000	November 2017	10,687,619 (6)
Farmer Mac Bond #4	Semi-annual interest only	2.50%	2.50%	13,400,000	13,400,000	December 2017	23,547,804 (7)
Farmer Mac Bond #5	Semi-annual interest only	2.56%	2.56%	30,860,000	30,860,000	December 2017	52,723,309 (8)
Farmer Mac Bond #6	Semi-annual interest only	3.69%	3.69%	14,915,000	—	April 2025	20,087,920
Farmer Mac Bond #7	Semi-annual interest only	3.68%	3.68%	11,160,000	—	April 2025	18,180,169
Farmer Mac Bond #8A	Semi-annual interest only	3.20%	3.20%	41,700,000	—	June 2020	80,810,858 (9)
Farmer Mac Bond #8B	(10)	Libor + 1.80%	2.23%	5,100,000	—	May 2016	— (9)
Farmer Mac Bond #9	Semi-annual interest only	3.35%	3.35%	6,600,000	—	July 2020	9,809,688
Tindall	Principal at maturity	--	--	—	1,180,800	January 2015	—
Beck	Principal at maturity	--	--	—	563,500	January 2015	—
Mentink	Principal at maturity	--	--	—	280,000	January 2015	—
Total outstanding principal				187,225,000	113,878,300		\$ 281,776,578
Debt issuance costs				(380,970)	(364,893)		
Unamortized premium				230,011	—		
Total mortgage notes and bonds payable, net				\$ 187,074,041	\$ 113,513,407		

- (1) Messrs. Pittman and Hough unconditionally agreed to jointly and severally guarantee \$11,000,000.
- (2) The book value of collateral as of December 31, 2014 was \$1,073,167.
- (3) The book value of collateral as of December 31, 2014 was \$26,410,132.
- (4) The book value of collateral as of December 31, 2014 was \$32,016,158.
- (5) The book value of collateral as of December 31, 2014 was \$9,015,542.
- (6) The book value of collateral as of December 31, 2014 was \$10,742,092.
- (7) The book value of collateral as of December 31, 2014 was \$23,570,742.
- (8) The book value of collateral as of December 31, 2014 was \$52,931,729.
- (9) The \$5,100,000 bond is cross collateralized with the \$41,700,000 bond.
- (10) Bond is an amortizing loan with monthly principal payments that commenced on October 2, 2015 and monthly interest payments that commenced on July 2, 2015 with all remaining principal and outstanding interest due at maturity.

First Midwest Bank Indebtedness

On April 16, 2014, the Company repaid \$6,529,237 of secured mortgage debt and made a partial repayment of the First Midwest Bank debt of \$4,749,900 with a portion of the net proceeds from the IPO. On March 24, 2014, Pittman Hough Farms made a contractual debt payment of \$766,000 on the First Midwest Bank debt, which the Company reimbursed on April 16, 2014 with a portion of the net proceeds from the IPO. The Company did not incur any early

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

termination fees or fees related to the partial repayment. In conjunction with the repayments, the Company wrote off \$26,929 in unamortized debt issuance costs to interest expense.

On April 16, 2014, the Operating Partnership, as borrower, and First Midwest Bank, as lender, entered into the Amended and Restated Business Loan Agreement, which was subsequently amended on February 24, 2015, July 24, 2015 and March 6, 2016 (the "FMW Loan Agreement"). The FMW Loan Agreement provides for loans in the aggregate principal amount of approximately \$30,780,000. The Company incurred \$135,340 in debt issuance costs related to the modification of the loan. In connection with the FMW Loan Agreement, PH Farms LLC and Cottonwood Valley Land, LLC, which are wholly owned subsidiaries of the Operating Partnership, unconditionally agreed to guarantee all of the obligations of the Operating Partnership under the FMW Loan Agreement. In addition, Messrs. Pittman and Hough unconditionally agreed to jointly and severally guarantee \$11,000,000 of the Operating Partnership's obligations under the FMW Loan Agreement. In conjunction with the modification, other than combining the two First Midwest Bank notes into one master note with two tranches, no other material terms were modified.

On February 24, 2015, the Company amended the FMW Loan Agreement to revise the financial covenants under the FMW Loan Agreement and repaid \$3,078,000 of the First Midwest Bank debt. The Company did not incur any prepayment penalties in conjunction with the repayment.

The collateral for the Company's indebtedness under the FMW Loan Agreement consists of real estate and related farm rents, including farms, grain facilities and any other improvements present on such real estate.

The FMW Loan Agreement includes standard acceleration clauses triggered by default under certain provisions of the note.

Under the FMW Loan Agreement, the Company is subject to ongoing compliance with a number of customary affirmative and negative covenants, as well as financial covenants, including a maximum leverage ratio of 0.60 to 1.00 and a minimum fixed charge coverage ratio of 1.50 to 1.00. Each covenant continues to be measured on a four quarter rolling basis. Additionally, the Company is required to maintain a minimum cash account balance of \$500,000 during the term of the agreement. The Company was in compliance with all applicable covenants at December 31, 2015.

On March 6, 2016, the maturity date was extended, to June 4, 2016 with respect to \$26,000,000 of the currently outstanding principal of the loan, which was scheduled to mature on March 6, 2016. The remaining balance matures on June 28, 2016. The loan bears interest at a rate per annum equal to the one-month LIBOR plus 2.59%, but in any event not less than a rate per annum of 2.80%.

Farmer Mac Facility

The Company and the Operating Partnership are parties to the Amended and Restated Bond Purchase Agreement, dated as of March 1, 2015 and amended as of June 2, 2015 (the "Bond Purchase Agreement") with Federal Agricultural Mortgage Corporation ("Farmer Mac") and Farmer Mac Mortgage Securities Corporation, a wholly owned subsidiary of Farmer Mac, as bond purchaser (the "Purchaser"), regarding a secured note purchase facility (the "Farmer Mac Facility") that has a maximum borrowing capacity of \$165,000,000. Pursuant to the Bond Purchase Agreement, the Operating Partnership may, from time to time, issue one or more bonds to the Purchaser that will be secured by pools of mortgage loans, which will, in turn, be secured by first liens on agricultural real estate owned by the Company. The mortgage loans may have effective loan-to-value ratios of up to 60%, after giving effect to the overcollateralization obligations described below. Prepayment of each bond issuance is not permitted unless otherwise agreed upon by all parties to the Bond Purchase Agreement.

As of December 31, 2015, the Operating Partnership had \$ 160,575,000 outstanding under the Farmer Mac Facility. The Operating Partnership's ability to borrow under the Farmer Mac Facility is subject to the Company's ongoing compliance with a number of customary affirmative and negative covenants, as well as financial covenants, including: a

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

maximum leverage ratio of not more than 60%; a minimum fixed charge coverage ratio of 1.50 to 1.00; and a minimum tangible net worth of \$96,268,417. The Company was in compliance with all applicable covenants at December 31, 2015.

In connection with the Bond Purchase Agreement, on August 22, 2014, the Company and the Operating Partnership also entered into a pledge and security agreement (as amended and restated, the “Pledge Agreement”) in favor of the Purchaser and Farmer Mac, pursuant to which the Company and the Operating Partnership agreed to pledge, as collateral for the Farmer Mac Facility, all of their respective right, title and interest in (i) mortgage loans with a value at least equal to 100% of the aggregate principal amount of the outstanding bonds held by the Purchaser and (ii) such additional collateral as necessary to have total collateral with a value at least equal to 110% of the outstanding bonds held by the Purchaser. In addition, the Company agreed to guarantee the full performance of the Operating Partnership’s duties and obligations under the Pledge Agreement.

The Bond Purchase Agreement and the Pledge Agreement include customary events of default, the occurrence of any of which, after any applicable cure period, would permit the Purchaser and Farmer Mac to, among other things, accelerate payment of all amounts outstanding under the Farmer Mac Facility and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the agricultural real estate underlying the pledged mortgage loans.

On June 2, 2015, Farmer Mac issued a refund under the bonds issued during 2014 of \$300,000. The refund is being accounted for as a debt premium and is being amortized against interest expense using the straight-line method over the remaining terms of the underlying bonds issued in 2014.

Bridge Loan Agreement

On February 29, 2016, two wholly owned subsidiaries of the Operating Partnership (together, the “Bridge Borrower”) entered into a term loan agreement (the “Bridge Loan Agreement”) with MSD FPI Partners, LLC, an affiliate of MSD Partners, L.P. (the “Bridge Lender”), that provides for a loan of \$53.0 million (the “Bridge Loan”), the proceeds of which were used primarily to fund the cash portion of the consideration for the acquisition of the Forsythe farms, which was completed on March 2, 2016. The Company is currently in negotiations with certain lenders to provide long-term secured debt financing to repay the Bridge Loan at or prior to its maturity, but the Company can provide no assurances that it will be able to enter into such financing on favorable terms or at all.

The Bridge Loan matures on April 29, 2016, subject to three one-month extensions at the Bridge Borrower’s option, and is secured by first lien mortgages on the Forsythe farms. Interest on the Bridge Loan is payable in cash monthly and accrues at a rate of LIBOR plus 3.00% per annum. In addition, under the Bridge Loan Agreement, the Bridge Borrower paid an origination fee of 4.00% of the loan amount and is required to pay an extension fee of 1.00% of the loan amount for each one-month extension and a default fee of 2.00% of the loan amount if the Bridge Loan is not repaid at maturity. The Bridge Borrower may prepay the Bridge Loan, subject to paying the Lender any LIBOR brokerage costs.

In connection with the Term Loan, on February 29, 2016, the Company and the Operating Partnership entered into a guaranty (the “Guaranty”) whereby the Company and the Operating Partnership jointly and severally agreed unconditionally to guarantee all of the Bridge Borrower’s obligations under the Bridge Loan.

The Bridge Loan Agreement contains a number of customary affirmative and negative covenants, including: (i) the use of proceeds of the Bridge Loan must be used in connection with the acquisition of the Forsythe farms and (ii) the Bridge Borrower is generally restricted from incurring any additional indebtedness.

The Guaranty contains a number of customary affirmative and negative covenants, as well as financial covenants, including: (i) a maximum leverage ratio of not more than 60%; (ii) a minimum fixed charge coverage ratio of 1.50 to 1.00 as of the end of any fiscal quarter; (iii) a minimum tangible net worth; (iv) a general restriction on incurring additional indebtedness subject to certain exceptions, including indebtedness for property acquisitions of up to \$6.0 million; (v) a

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

restriction on investments in excess of \$10.0 million in the aggregate without the prior written consent of the Lender subject to certain limited exceptions; and (vi) a restriction on modifying terms of the Preferred Units (as defined below).

The Bridge Loan Agreement includes certain customary events of default, including a cross-default provision related to other outstanding indebtedness of the Company and the Operating Partnership, the occurrence of any of which, after any applicable cure period, would permit the Bridge Lender, among other things, to accelerate payment of all amounts outstanding under the Bridge Loan and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the Forsythe farms.

Financing Commitments

On March 14, 2016, the Company received from MetLife Agricultural Investments ("MetLife") commitments in the total aggregate amount of \$127 million for mortgage loans secured by farmland. MetLife's loan commitments are subject to customary conditions, and expire between May 24, 2016 and June 14, 2016. The Company intends to use proceeds from these loans to refinance existing debt, to acquire new properties, and for general corporate purposes. We can provide no assurances that we will enter into a loan with MetLife on the terms we currently anticipate, or at all.

Aggregate Maturities

As of December 31, 2015, aggregate maturities of long-term debt for the succeeding years are as follows:

<u>Year Ending December 31,</u>	<u>Future Maturities</u>
2016	\$ 31,750,000
2017	81,100,000
2018	—
2019	—
2020	48,300,000
Thereafter	26,075,000
	<u>\$ 187,225,000</u>

Fair Value

The fair value of the mortgage notes payable is valued using Level 3 inputs under the hierarchy established by GAAP and is calculated based on a discounted cash flow analysis, using interest rates based on management's estimates of market interest rates on long-term debt with comparable terms whenever the interest rates on the mortgage notes payable are deemed not to be at market rates. As of December 31, 2015 and 2014, the fair value of the mortgage notes payable was \$185,171,599 and \$113,629,516, respectively.

Note 8—Commitments and Contingencies

The Company is not currently subject to any known material contingencies arising from its business operations, nor to any material known or threatened litigation.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

In April 2015, FPI Agribusiness entered into a marketing contract to sell 25,000 bushels of corn at \$3.98 per bushel in the fourth quarter of 2015 to protect against the commodity pricing exposure from farming operations. The position was extended with the corn delivered in the first quarter of 2016. The contracts are accounted for using the normal purchase and sales exception for hedge accounting.

In April 2015, the Company entered into a lease agreement for office space. The lease expires July 31, 2019. The lease commenced June 1, 2015 and has an initial monthly payment of \$10,032. As of December 31, 2015, future minimum lease payments are as follows:

Year Ending December 31,	Future rental payments
2016	\$ 121,560
2017	123,567
2018	125,574
2019	74,073
	<u>\$ 444,774</u>

A sale of any of the Contributed Properties that would not provide continued tax deferral to Pittman Hough Farms is contractually restricted until the fifth (with respect to certain properties) or seventh (with respect to certain other properties) anniversary of the completion of the formation transactions. Furthermore, if any such sale or defeasance is foreseeable, the Company is required to notify Pittman Hough Farms and to cooperate with it in considering strategies to defer or mitigate the recognition of gain under the Code by any of the equity interest holders of the recipient of the OP units.

As of December 31, 2015 the Company had the following properties under contract. These acquisitions are expected to close in the first half of 2016, subject to the satisfaction of certain customary closing conditions. There can be no assurance that these conditions will be satisfied or that the pending acquisitions will be consummated on the terms described herein, or at all.

Farm Name	County	Total approximate acres	Purchase price
Forsythe (1)	Various (2)	22,128	\$ 197,000,000
Knowles	Telfair, GA	608	1,200,000
Knight	Telfair, GA	208	620,675
Mobley II (3)	Telfair, GA	130	446,000
	Catahoula,		
Condrey (4)	LA	7,400	31,750,000
	Van Buren,		
Borden	MI	265	1,630,000
Buckelew (5)	Panola, MS	624	2,304,200
		<u>31,363</u>	<u>\$ 234,950,875</u>

- (1) This acquisition closed on March 2, 2016. The purchase price of the property is comprised of (a) \$50,000,000 in cash, (b) an aggregate of 2,608,695 Class A common units of limited partnership interest in the Operating Partnership ("OP Units") and shares of the Company's common stock, \$0.01 par value per share ("Common Stock"), each valued at \$11.50 per OP Unit or share of Common Stock, and (c) 117,000 newly classified Series A preferred units of limited partnership interest in the Operating Partnership ("Preferred Units"). See "Note 9 – Stockholders' Equity and Non-controlling Interests".
- (2) The farms are located in Breslow, Coles, Clark, Crawford, Cumberland, Douglas, and Vermillion counties in Illinois.
- (3) In February 2016, the contract was cancelled during the normal inspection period and the earnest money deposit was returned to the Company.
- (4) In March 2016, the contract was extended to no later than June 5, 2016, and may be extended further so long as incremental escrow and price adjustment payments are deposited into escrow. The purchase price shall be increased at a per diem rate of \$1,950.63 should closing occur after April 1, 2016.
- (5) In February 2016, the contract was extended to no later than May 3, 2016. Should the closing occur after March 31, 2016 the purchase price will be increased at a per diem rate of \$575.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Subsequent to December 31, 2015, the Company completed three farm acquisitions for cash in addition to the Forsythe acquisition described above. The Company will account for all of these transactions, with exception of the Borden acquisition, as asset acquisitions. The Borden acquisition will be accounted for as a business combination. The initial accounting for the four acquisitions is not yet complete, making certain disclosures unavailable at this time.

Note 9—Stockholders' Equity and Non-controlling Interests

Under the Company's articles of incorporation, the total number of shares initially authorized for issuance was 1,000 shares of common stock, \$0.01 par value per share. On December 5, 2013, the Company issued 1,000 shares of common stock to its sole stockholder at \$1.00 per share in connection with the initial capitalization of the Company. The shares were repurchased by the Company on April 18, 2014 for \$1.00 per share.

On March 24, 2014, the Company amended and restated its articles of incorporation to authorize the issuance of up to 500,000,000 shares of common stock. Upon completion of the IPO, on April 16, 2014, the Company had 500,000,000 shares of common stock authorized, 3,800,000 shares of common stock issued and outstanding, including 214,283 unvested restricted shares of common stock.

On April 16, 2014, the Company completed the IPO and the FP Land Merger. The IPO resulted in the sale of 3,800,000 shares of common stock at a price per share of \$14.00 and generated gross proceeds of \$53,200,000. The aggregate net proceeds to the Company, after deducting the underwriting discount and commissions and expenses payable by the Company, were approximately \$48,000,000. The Company contributed the net proceeds from the IPO to the Operating Partnership in exchange for OP units. The Operating Partnership used the net proceeds from the IPO as follows: (i) approximately \$12,000,000 to repay outstanding indebtedness, of which \$766,000 had been advanced by Pittman Hough Farms and was reimbursed to Pittman Hough Farms with a portion of the net proceeds from the IPO; and (ii) approximately \$55,000 (exclusive of the \$766,000 that was reimbursed for amounts advanced by Pittman Hough Farms to repay certain indebtedness) to reimburse Pittman Hough Farms for amounts advanced or incurred in connection with the IPO and related formation transactions. The Operating Partnership used the remaining net proceeds for general corporate purposes, including working capital and acquisitions.

On July 30, 2014, the Company completed an underwritten public offering of 3,717,472 shares of common stock at a price per share of \$12.50 and generated gross proceeds of approximately \$46,500,000. The aggregate net proceeds to the Company, after deducting the underwriting discount and commissions and expenses payable by the Company, were approximately \$43,300,000. The Company contributed the net proceeds to the Operating Partnership in exchange for OP units.

On July 21, 2015, the Company completed an underwritten public offering, pursuant to which the Company sold 3,000,000 shares of common stock, and upon the underwriter's partial exercise of their option to purchase additional shares, issued an additional 360,000 shares at a price per share of \$11.00 and generated gross proceeds of \$36,960,000. The aggregate net proceeds to the Company, after deducting the underwriting discount and commissions and expenses payable by the Company, were \$34,568,311.

On September 15, 2015, the Company entered into equity distribution agreements and filed a prospectus supplement under which it may sell shares of common stock having an aggregate gross sales price of up to \$25,000,000 through an "at-the-market" equity offering program. The offering is being made pursuant to a shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission on May 14, 2015. As of December 31, 2015, no shares had been issued under the program.

As of December 31, 2015 and 2014, the Company had 16,155,971 and 9,676,755 fully diluted outstanding shares, including OP units and restricted shares of common stock, respectively.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Non-controlling Interest in Operating Partnership

The Company consolidates its Operating Partnership, a majority-owned partnership. As of December 31, 2015, the Company owned 74.1% of the outstanding OP units and the remaining 25.9% of the OP units are included in non-controlling interest in Operating Partnership on the combined consolidated balance sheets.

On or after 12 months after becoming a holder of common 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 tender for redemption all or a portion of such units in exchange for a cash amount equal to the number of tendered units multiplied by the fair market value of a share of the Company's common stock (determined in accordance with, and subject to adjustment under, the terms of the partnership agreement of the Operating Partnership), unless the terms of such units or a separate agreement entered into between the Operating Partnership and the holder of such units provide that they do not have a right of redemption or provide for a shorter or longer period before such holder may exercise such right of redemption or impose conditions on the exercise of such right of redemption. On or before the close of business on the tenth business day after the Company receives a notice of redemption, the Company may, as the parent of the general partner, in its sole and absolute discretion, but subject to the restrictions on the ownership of common stock imposed under the Company's charter and the transfer restrictions and other limitations thereof, elect to acquire some or all of the tendered units in exchange for cash or shares of the Company's common stock, based on an exchange ratio of one share of common stock for each OP unit (subject to anti-dilution adjustments provided in the partnership agreement). As of December 31, 2015, there were 1,945,000 outstanding OP units eligible to be tendered for redemption.

If the Company gives the limited partners notice of its intention to make an extraordinary distribution of cash or property to its stockholders or effect a merger, a sale of all or substantially all of its assets, or any other similar extraordinary transaction, each limited partner may exercise its right to tender its OP units for redemption, regardless of the length of time such limited partner has held its OP units.

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 common stock. When a an OP unit is redeemed, non-controlling interest in the Operating Partnership is reduced and stockholders' equity is increased.

The Operating Partnership intends 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.

Pursuant to the consolidation accounting standard with respect to the accounting and reporting for non-controlling interest changes and changes in ownership interest of a subsidiary, changes in parent's ownership interest when the parent retains controlling interest in the subsidiary should be accounted for as equity transactions. The carrying amount of the non-controlling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. As a result of the IPO, the July 2014 offering, the July 2015 offering, the issuance of stock compensation, and common stock and OP units issued as partial consideration for certain acquisitions, changes in the ownership percentages between the Company's stockholders' equity and non-controlling interest in the Operating Partnership occurred during the years ended December 31, 2015 and 2014. To reflect these changes, during 2015 the Company decreased the non-controlling interest in the Operating Partnership and increased additional paid in capital by \$817,704, with non-controlling interest in the Operating Partnership increasing and additional paid in capital decreasing \$22,990,818 during the year ended December 31, 2014.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

Redeemable Non-controlling Interest in Operating Partnership

On June 2, 2015, the Company issued 1,993,709 OP units in conjunction with an asset acquisition. Beginning twelve months after issuance, the OP units may be tendered for redemption for cash, or at the Company's option, into shares of common stock on a one for one basis up to a maximum of 1,109,985 shares of common stock. The remaining 883,724 OP units (the "Excess Units") may be redeemed only for cash, unless the Company obtains stockholder approval to redeem such Excess Units with shares of its common stock.

As the tender for redemption of the Excess Units for cash is outside of the control of the Company, these units are accounted for as temporary equity on the combined consolidated balance sheets. The Company has elected to accrete the change in redemption value subsequent to issuance and during the respective twelve-month holding period, after which point the units will be marked to redemption value at each reporting period. The Company recorded the initial redemption value of the Excess Units on date of issue as \$9,694,453. The redemption value of the Excess Units at December 31, 2015 was \$9,694,453.

The following table summarizes the changes in our redeemable non-controlling interest in the Operating Partnership for the year ended December 31, 2015:

	Redeemable OP units	Redeemable non-controlling interests
Balance at December 31, 2014	—	\$ —
Issuance of redeemable OP units as partial consideration for asset acquisition	883,724	9,694,453
Net income attributable to non-controlling interest	—	101,861
Distribution to non-controlling interest	—	(338,025)
Adjustment to arrive at redemption value	—	236,164
Balance at December 31, 2015	883,724	\$ 9,694,453

Series A Preferred Partnership Units

On March 2, 2016, the sole general partner of the Operating Partnership, entered into Amendment No.1 (the "Amendment") to the Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") of the Operating Partnership in order to provide for the issuance, and the designation of the terms and conditions, of newly classified Series A preferred units of limited partnership interest in the Operating Partnership (the "Preferred Units"). Under the Amendment, among other things, each Preferred Unit has a \$1,000 liquidation preference and is entitled to receive cumulative preferential cash distributions at a rate of 3.00% per annum of the \$1,000 liquidation preference, which is payable annually in arrears on January 15 of each year or the next succeeding business day.

On or after March 2, 2026, the tenth anniversary of the closing of the Acquisition (the "Conversion Right Date"), holders of the Preferred Units have the right to convert each Preferred Unit into a number of common OP units equal to (i) the \$1,000 liquidation preference plus all accumulated and unpaid distributions, divided by (ii) the volume-weighted average price per share of the Company's common stock for the 20 trading days immediately preceding the applicable conversion date. All OP Units received upon conversion may be immediately tendered for redemption for cash or, at the Company's option, for shares of common stock on a one -for-one basis, subject to the terms and conditions set forth in the Partnership Agreement. Prior to the Conversion Right Date, the Preferred Units may not be tendered for redemption by the Holder.

On or after March 2, 2021, the fifth anniversary of the closing of the Acquisition, but prior to the Conversion Right Date, the Operating Partnership has the right to redeem some or all of the Preferred Units, at any time and from time to time, for cash in an amount per unit equal to the \$1,000 liquidation preference plus all accrued and unpaid distributions.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

In the event of a Termination Transaction (as defined in the Partnership Agreement) prior to conversion, holders of the Preferred Units generally have the right to receive the same consideration as holders of OP Units and common stock, on an as-converted basis.

Holders of the Preferred Units have no voting rights except with respect to (i) the issuance of partnership units of the Operating Partnership senior to the Preferred Units as to the right to receive distributions and upon liquidation, dissolution or winding up of the Operating Partnership, (ii) the issuance of additional Preferred Units and (iii) amendments to the Partnership Agreement that materially and adversely affect the rights or benefits of the holders of the Preferred Units.

These Preferred Units have been issued as partial consideration in the Forsythe real estate transaction (See “Note 8 – Commitments and Contingencies”).

Distributions

The Company’s Board of Directors declared and paid the following distributions to common stockholders and holders of OP units for the years ended December 31, 2015 and 2014:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distributions per Common Share/OP unit
2015	February 25, 2015	April 1, 2015	April 15, 2015	\$ 0.1160
		July 1, 2015	July 15, 2015	0.1275
	June 2, 2015			
	August 12, 2015	October 1, 2015	October 15, 2015	0.1275
	November 20, 2015	January 4, 2016	January 15, 2016	0.1275
				<u>\$ 0.4985</u>
2014	May 14, 2014	July 1, 2014	July 15, 2014	\$ 0.1050
	August 5, 2014	October 1, 2014	October 15, 2014	0.1050
	November 20, 2014	January 2, 2015	January 15, 2015	0.1160
				<u>\$ 0.3260</u>

In general, common stock cash dividends declared by the Company will be considered ordinary income to stockholders for income tax purposes. From time to time, a portion of the Company’s dividends may be characterized as capital gains or return of capital. During the year ended December 31, 2015, 100% of the income distributed in the form of dividends was characterized as ordinary income.

Stock Repurchase Plan

On October 29, 2014, the Company announced that the Board of Directors approved a program to repurchase up to \$10,000,000 in shares of the Company’s common stock. Repurchases under this program may be made from time to time, in amounts and prices as the Company deems appropriate. Repurchases may be made in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, trading restrictions under the Company’s insider trading policy and other relevant factors. This stock repurchase plan does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company’s discretion. The Company expects to fund repurchases under the program using cash on hand. The Company repurchased and retired 2,130 shares of its common

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

stock on August 26, 2015, at an average price of \$9.81 , plus commissions, and is authorized to repurchase up to an additional \$9,979,068 of its common stock under the program. There were no repurchases made during the year ended December 31, 2014.

Equity Incentive Plan

On May 5, 2015, the Company's stockholders approved the Amended and Restated 2014 Equity Incentive Plan (as amended and restated, the "Plan"), which increased the aggregate number of shares of the Company's common stock reserved for issuance under the Plan to 615,070 shares (including the 223,666 , shares of restricted common stock granted to the Company's executive officers, certain of the Company's employees, the Company's non-executive directors and Jesse J. Hough, the Company's consultant, net of forfeiture of 8,312 restricted shares). As of December 31, 2015, there were 391,404 of shares available for future grants under the Plan.

The Company may issue equity-based awards to officers, employees, independent contractors and other eligible persons under the Plan. The 2014 Plan provides for the grant of stock options, share awards (including restricted stock and restricted stock units), stock appreciation rights, dividend equivalent rights, performance awards, annual incentive cash awards and other equity based awards, including LTIP units, which are convertible on a one -for-one basis into OP units. The 2014 Plan provides for a maximum of 228,000 shares of common stock for issuance. The terms of each grant are determined by the compensation committee of the Board of Directors.

From time to time, the Company may award non-vested shares under the Plan as compensation to officers, employees, non-employee directors and non-employee contractors. The shares vest over a period of time as determined by the Compensation Committee of the Board of Directors at the date of grant. The Company recognizes compensation expense for awards issued to officers, employees and non-employee directors for non-vested shares on a straight-line basis over the vesting period based upon the fair market value of the shares on the date of issuance, adjusted for forfeitures. The Company recognizes compensation expense for awards issued to non-employee consultants in the same period and in the same manner as if the Company paid cash for the underlying services.

Concurrently with the completion of the IPO, on April 16, 2014, the Company granted an aggregate of 214,283 restricted shares of common stock, having an aggregate grant date fair value of \$3,000,000 (calculated as the number of shares granted multiplied by the stock price on date of grant), to the Company's independent directors (Paul Pittman, Luca Fabbri, the Company's Chief Financial Officer) and Jesse J. Hough (the Company's consultant). Each of the restricted stock grants vests ratably over a three -year vesting period, subject to continued service with the Company.

The restricted shares granted to Mr. Hough are recognized as expense over the period that services are received. The change in fair value of the shares to be issued upon vesting is remeasured at each reporting period and is recorded in general and administrative expenses on the combined consolidated statement of operations.

During 2015 the Company granted 9,383 restricted shares of common stock, with an aggregate grant date fair value of \$101,665, to newly-appointed independent directors and employees. The restricted shares vest ratably over a three -year vesting period, subject to continued service.

During 2015, 8,312 restricted shares of common stock were forfeited by independent directors and employees. The Company had recorded \$18,231 in stock based compensation and paid \$2,541 in dividends with respect to such restricted shares. In c onnection with the forfeiture of restricted shares, the Company reversed \$15,690 in previously recorded compensation expense , net of the dividends paid. There were no forfeitures for the year ended December 31, 2014.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

A summary of the non-vested restricted shares as of December 31, 2015 and 2014 is as follows:

	Number of shares	Weighted average grant date fair value
Unvested at January 1, 2014	—	\$ —
Granted	214,283	14.00
Vested	—	—
Forfeited	—	—
Unvested at December 31, 2014	214,283	14.00
Granted	9,383	10.83
Vested	(70,356)	14.00
Forfeited	(8,312)	(12.63)
Unvested at December 31, 2015	144,998	\$ 13.87

For the years ended December 31, 2015 and 2014, the Company recognized \$941,802 and \$680,540, respectively, of stock-based compensation expense related to these restricted stock awards. As of December 31, 2015 and 2014, there was \$1,246,683 and \$2,149,805, respectively, of total unrecognized compensation costs related to non-vested stock awards which are expected to be recognized over weighted-average periods of 1.3 years and 2.3, respectively.

Earnings per Share

The computation of basic and diluted earnings per share is as follows:

	For the year ended December 31,	
	2015	2014
Numerator:		
Net income (loss) attributable to Farmland Partners Inc.	\$ 1,227,214	\$ (568,192)
Less: Nonforfeitable distributions allocated to unvested restricted shares	(80,422)	(69,856)
Less: Distributions on redeemable non-controlling interests in operating partnership	(338,024)	—
Net income (loss) attributable to common stockholders	\$ 808,768	\$ (638,048)
Denominator:		
Weighted-average number of common shares - basic	9,618,714	4,264,906
Unvested restricted shares (1)	9,937	—
Weighted-average number of common shares - diluted	9,628,651	4,264,906
Income (loss) per share attributable to common stockholders - basic	\$ 0.08	\$ (0.15)
Income (loss) per share attributable to common stockholders - diluted	\$ 0.08	\$ (0.15)

(1) Anti-dilutive for the year ended December 31, 2014.

Redeemable non-controlling interest includes 883,724 OP units which are redeemable solely for cash, unless stock holder approval is obtained to redeem for shares of common stock. The OP units and any unvested restricted shares are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per share.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

The limited partners' outstanding OP units (which may be redeemed for shares of common stock) and Excess Units have been excluded from the diluted earnings per share calculation as there would be no effect on the amounts since the limited partners' share of income would also be added back to net income. Any anti-dilutive shares have been excluded from the diluted earnings per share calculation. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Accordingly, distributed and undistributed earnings attributable to unvested restricted shares (participating securities) have been excluded, as applicable, from net income or loss attributable to common stockholders utilized in the basic and diluted earnings per share calculations. Net income or loss figures are presented net of non-controlling interests in the earnings per share calculations. The weighted average number of OP units held by the non-controlling interest was 2,762,924 and 1,380,151 for the years ended December 31, 2015 and 2014, respectively. The weighted average number of Excess Units held by the non-controlling interest was 513,286 for the year ended December 31, 2015. There were no Excess Units outstanding during the year ended December 31, 2014.

For the year ended December 31, 2014, diluted weighted average common shares do not include the impact of 214,283 shares of unvested compensation-related shares because the effect of these items on diluted earnings per share would be anti-dilutive. There were no anti-dilutive shares for the year ended December 31, 2015.

Note 10—Quarterly Financial Information

The following table reflects the quarterly results of operations for the years ended December 31, 2015 and 2014.

	Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Operating revenues	\$ 2,103,491	\$ 2,883,720	\$ 4,169,151	\$ 4,599,785
Operating expenses	1,527,546	1,670,361	2,014,727	2,326,776
Other (income) expenses	772,523	1,068,691	1,292,514	1,384,340
Net (loss) income before income tax	(196,578)	144,668	861,910	888,669
State income tax expense	—	—	4,400	5,551
Net (loss) income	\$ (196,578)	\$ 144,668	\$ 857,510	\$ 883,118
Net (loss) income available to common stockholders of Farmland Partners Inc.	\$ (181,298)	\$ (23,949)	\$ 492,465	\$ 521,550
Basic and diluted net (loss) income per share available to common stockholders (1)	\$ (0.02)	\$ —	\$ 0.04	\$ 0.04
Basic weighted average common shares outstanding	7,530,188	7,892,700	11,154,127	11,833,677
Diluted weighted average common shares outstanding	7,530,188	7,892,700	11,158,280	11,851,263

(1) The basic and diluted net (loss) income for the quarters do not equal full year results due to issuance of common stock throughout the year and rounding.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)

	Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Operating revenues	\$ 685,651	\$ 786,398	\$ 1,262,054	\$ 1,484,022
Operating expenses	216,487	1,039,530	941,033	1,464,230
Other expenses	334,574	288,536	286,216	318,816
Net income (loss)	\$ 134,590	\$ (541,668)	\$ 34,805	\$ (299,024)
Net (loss) income available to common stockholders of Farmland Partners Inc.	\$ —	\$ (380,783)	\$ 5,151	\$ (262,416)
Basic and diluted net (loss) income per share available to common stockholders	\$ —	\$ (0.12)	\$ —	\$ (0.03)
Basic and diluted weighted average common shares outstanding	—	3,132,044	6,305,253	7,517,472

Note 11—Subsequent Events

See “Note 7 – Mortgage Notes and Bonds Payable” for debt issuances and modifications that occurred subsequent to December 31, 2015 .

See “ Note 8—Commitments and Contingencies” for real estate acquisitions that occurred subsequent to December 31, 2015 .

See “ Note 9—Stockholders’ Equity and Non-controlling Interests” for Preferred OP units issuance that occurred subsequent to December 31, 2015 .

Subsequent to December 31, 2015, the Company entered into purchase agreements with unrelated third parties to acquire the following farms:

Acquisitions	County	Total approximate acres	Purchase price
Reinart	Hutchinson & Moore, TX	2,056	\$ 6,116,000
Chenoweth	Fulton, IL	40	370,000
Gurga	Mason, IL	80	668,000
Brett	Johnson, GA	213	575,000
Powell	Johnson, GA	274	955,084
		<u>2,663</u>	<u>\$ 8,684,084</u>

The Reinart and Chenoweth acquisitions closed in January and February 2016, respectively. The other acquisitions are expected to close during the first and second quarters of 2016, subject to the satisfaction of certain customary closing conditions. There can be no assurance that these conditions will be satisfied or that the pending acquisitions will be consummated on the terms described herein, or at all. These acquisitions will be accounted for as asset acquisitions.

On March 8, 2016 our Board of Directors declared a cash dividend of \$0.1275 per share of common stock. The dividend is payable to the Company’s stockholders of record as of April 1, 2016, and is expected to be paid on April 15, 2016.

Farmland Partners Inc.
Schedule II I – Real Estate and Accumulated Depreciation
December 31, 2015
(In Thousands)

Description	Encumbrances	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period			Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation in Latest Income Statements is Computed
		Land	Improvements	Total	Improvements	Land Improvements	Land	Improvements	Total				
Scripps (Schuyler County, IL)	(b)	\$ 644	\$ 93	\$ 737	\$ 61	\$ -	\$ 644	\$ 154	\$ 798	20		2000	65
Weber (Schuyler County, IL)	(b)	271	73	344	-	-	271	73	344	15		2001	65
Crane Creek (Schuyler County, IL)	(b)	448	100	548	110	-	448	210	658	21		2003	65
Pumphouse East (Schuyler County, IL)	(e)	102	59	161	-	-	102	59	161	12		2003	65
Henninger (Schuyler County, IL)	(h)	700	110	810	-	-	700	110	810	22		2004	65
John's Shop (K. Jones and France) (McDonough County, IL)	(e)	801	97	898	-	-	801	97	898	19		2004 & 2006	65
Adair FS (McDonough County, IL)	(b)	322	36	358	-	-	322	36	358	7		2006	50
Table Grove (Fulton County, IL)	(b)	203	44	247	-	-	203	44	247	9		2006	50
Ambrose (Mason County, IL)	(b)	290	38	328	81	-	290	119	409	8		2006	50
Big Pivot (Mason County, IL)	(b)	1,423	60	1,483	30	-	1,423	90	1,513	37		2007	50
Cleer (Fulton County, IL)	(b)	1,290	-	1,290	2,054	-	1,290	2,054	3,344	179	2011 & 2015	2007	25
Pella (Sullivan and Perdum) (McDonough County, IL)	(b)	2,981	-	2,981	507	-	2,981	507	3,488	119	2009	2007 & 2010	25
Pella Kelso (Sullivan 2) (McDonough County, IL)	(b)	668	-	668	178	-	668	178	846	-		2007	-
Copes (Schuyler County, IL)	(b)	684	-	684	-	-	684	-	684	-		2007	-
Stelter (Mason County, IL)	(b)	1,003	-	1,003	289	-	1,003	289	1,292	37		2008	30
Tazewell (Tazewell County, IL)	(e)	902	34	936	-	-	902	34	936	15		2008	21
Duncantown (Fulton County, IL)	(b)	693	-	693	-	-	693	-	693	-		2008	-
Bardolph (McDonough County, IL)	(h)	1,120	-	1,120	-	-	1,120	-	1,120	-		2008	-
Parr (Fulton County, IL)	(h)	398	-	398	-	-	398	-	398	-		2008	-
Pumphouse West (Schuyler County, IL)	(e)	1,500	-	1,500	108	-	1,500	108	1,608	1		2008	-
Curless (Fulton County, IL)	(b)	1,750	-	1,750	-	-	1,750	-	1,750	-		2009	-
Crabtree (Mason County, IL)	(b)	442	38	480	-	-	442	38	480	11		2009	24
Baca Co. (Baca County, CO)	(b)	819	94	913	91	-	819	185	1,004	46		2010	16
Busch (Mason County, IL)	(b)	725	-	725	-	-	725	-	725	-		2010	-
Kaufman (McDonough County, IL)	(b)	2,573	-	2,573	-	-	2,573	-	2,573	-		2010	-
Estep (Mason County, IL)	(b)	200	16	216	-	-	200	16	216	1		2011	50
Skien (Fulton County, IL)	(e)	321	24	345	-	-	321	24	345	2		2011	50
Dillworth (McDonough County, IL)	(b)	923	53	976	-	-	923	53	976	4		2011	50
Heap (McDonough County, IL)	(e)	527	37	564	-	-	527	37	564	3		2011	50
Stanbra/Zeller (Butler County, NE)	(e)	1,539	-	1,539	33	-	1,539	33	1,572	1		2012	-
Matulka (Butler County, NE)	(e)	1,881	55	1,936	1,344	-	1,881	1,399	3,280	169	2012 & 2015	2012	25
Zeagers (Butler County, NE)	(b)	1,109	40	1,149	-	-	1,109	40	1,149	6		2012	20
Beckerdite (Schuyler County, IL)	(b)	991	-	991	-	-	991	-	991	-		2012	-
Kelly (Butler County, NE)	(e)	742	-	742	94	-	742	94	836	11		2012	25
McFadden MD (McDonough County, IL)	(b)	610	-	610	-	-	610	-	610	-		2012	-
McFadden SC (Schuyler County, IL)	(b)	252	-	252	-	-	252	-	252	-		2012	-
Symond (Mason County, IL)	(b)	1,700	-	1,700	122	-	1,700	122	1,822	13		2012	25
Smith (McDonough County, IL)	(e)	1,147	-	1,147	-	-	1,147	-	1,147	-		2013	-
McArthur (Kit Carson, CO)	(e)	374	201	575	-	-	374	201	575	30		2014	12
Schutte (Kit Carson, CO)	(e)	1,817	210	2,027	-	-	1,817	210	2,027	29		2014	14
Korbelik (Kit Carson, CO)	(e)	481	373	854	13	-	481	386	867	57		2014	12
Chute (Kit Carson, CO)	(e)	579	513	1,092	-	-	579	513	1,092	77		2014	14
Eibert & Johnson (Kit Carson, CO)	(e)	3,099	-	3,099	-	-	3,099	-	3,099	-		2014	-
Zweygardt (Logan, KS)	(e)	737	-	737	-	-	737	-	737	-		2014	-
Liby (Kit Carson, CO and Sherman, KS)	(e)	1,029	178	1,207	-	-	1,029	178	1,207	28		2014	11
Rhoades (Kit Carson, CO)	(e)	1,305	376	1,681	-	-	1,305	376	1,681	56		2014	11
Buol (Kit Carson, CO)	(e)	1,353	184	1,537	-	-	1,353	184	1,537	36		2014	8
Cure (Kit Carson, CO)	(e)	2,328	-	2,328	-	-	2,328	-	2,328	-		2014	-
Hudye chute (Kit Carson, CO)	(e)	803	-	803	-	-	803	-	803	-		2014	-
Hitchcock (Kit Carson, CO)	(e)	2,366	68	2,434	-	-	2,366	68	2,434	20		2014	14
James Ranch (Cheyenne, CO)	(e)	10,716	70	10,786	-	-	10,716	70	10,786	3		2014	39
Mershfelder (Cheyenne, CO)	(e)	419	-	419	-	-	419	-	419	-		2014	-
County Line (Kit Carson, CO)	(e)	1,030	170	1,200	-	-	1,030	170	1,200	40		2014	9

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Description	Encumbrances	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period			Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation in Latest Income Statements is Computed
		Land	Improvements	Total	Improvements	Land Improvements	Land	Improvements	Total				
Harrel (Kit Carson, CO)	(c)	1,381	-	1,381	-	-	1,381	-	1,381	-		2014	-
Broadwater (Morrill, NE)	-	848	197	1,045	22	-	848	219	1,067	12		2014	28
Ruder (Yell, AR)	(f)	2,645	40	2,685	-	-	2,645	40	2,685	5		2014	10
Bonita Brake (Morehouse, LA)	(d)	5,100	52	5,152	88	-	5,100	140	5,240	14		2014	14
Davis (Richland Parish, LA)	(d)	3,781	87	3,868	-	-	3,781	87	3,868	8		2014	18
Ballymore (Yell, AR)	(f)	4,536	50	4,586	-	-	4,536	50	4,586	2		2014	40
Stonington Smith (Baca, CO)	(g)	3,566	359	3,925	-	-	3,566	359	3,925	19		2014	28
Prague (Butler, NE)	(g)	342	4	346	-	-	342	4	346	-		2014	27
Proventus (Sunflower, MS)	(f)	6,654	133	6,787	3	-	6,654	136	6,790	6		2014	27
Crow (Yell, AR)	(f)	2,316	-	2,316	-	-	2,316	-	2,316	-		2014	-
Vendome (Jackson, AR and Craighead, AR)	(f)	6,914	287	7,201	-	-	6,914	287	7,201	14		2014	26
Jarecki (Polk, NE)	(g)	1,610	32	1,642	83	-	1,610	115	1,725	3		2014	28
Kropatsch (Polk, NE)	(g)	702	72	774	-	-	702	72	774	2		2014	37
Otterpohl (Merrick, NE)	(g)	994	20	1,014	42	-	994	62	1,056	2		2014	25
Tindall (Polk, NE)	(h)	1,244	69	1,313	269	-	1,244	338	1,582	5	2015	2014	38
Beck (Merrick, NE)	(h)	1,100	28	1,128	73	-	1,100	101	1,201	4		2014	26
Fadschild (Butler, NE)	(g)	1,639	46	1,685	10	-	1,639	56	1,695	2		2014	31
Reimer (Phillips, CO)	(g)	773	323	1,096	-	-	773	323	1,096	12		2014	31
Carruthers (Phillips, CO)	(g)	747	393	1,140	-	-	747	393	1,140	12		2014	34
Hoffner (Yuma, CO)	(g)	1,079	812	1,891	-	-	1,079	812	1,891	19		2014	47
Long Prairie (Lonoke, AR)	(g)	2,014	96	2,110	7	-	2,014	103	2,117	6		2014	19
Jackson (Prairie, AR and White, AR)	(g)	5,247	238	5,485	-	-	5,247	238	5,485	15		2014	20
Taylor (Chase, NE)	(l)	693	1,785	2,478	-	-	693	1,785	2,478	56		2014	34
Diantha West (Jefferson, AR)	(g)	3,277	146	3,422	14	6	3,283	159	3,443	9		2014	20
Jacoby (Yuma, CO)	(g)	554	443	997	58	-	554	501	1,055	12		2014	46
Mentink (Polk, NE)	(h)	561	-	561	-	41	602	-	602	-		2014	-
Turbeville (Clarendon, SC and Sumter, SC)	(g)	12,057	1,474	13,531	-	-	12,057	1,474	13,531	63		2014	27
Ten Mile (Clarendon, SC)	(g)	4,679	25	4,704	1,119	103	4,782	1,144	5,926	20		2014	35
Maiden Down (Marion, SC)	(g)	2,235	-	2,235	871	244	2,479	871	3,350	11		2014	35
Paxville (Marion, SC)	(g)	1,803	158	1,961	290	23	1,826	448	2,274	12		2014	33
Coopers Mill (Lee, SC)	(g)	2,199	138	2,337	277	55	2,254	415	2,669	9		2014	35
Drakeford (Lee, SC)	(g)	1,078	-	1,078	552	138	1,216	552	1,768	10		2014	34
Tyndall (Lee, SC)	(g)	1,568	-	1,568	367	64	1,632	367	1,999	6		2014	34
Garrott (Woodruff, AR)	(h)	3,264	165	3,429	25	45	3,309	190	3,499	7		2014	27
Swarek (Quitman, MS)	(h)	3,471	41	3,512	24	-	3,471	65	3,536	2		2015	31
Stonington Bass (Baca, CO)	(h)	1,995	84	2,079	-	-	1,995	84	2,079	4		2015	19
Benda Butler (Butler, NE)	(h)	607	-	607	-	-	607	-	607	-		2015	-
Benda Polk (Polk, NE)	(h)	862	-	862	-	-	862	-	862	-		2015	-
Timmerman (Phillips, CO)	(h)	1,365	663	2,028	101	-	1,365	764	2,129	16		2015	45
Cypress Bay (Bamberg, SC)	(h)	1,959	344	2,303	494	-	1,959	838	2,797	14	2015	2015	38
Battle Creek (Madison, NE)	(i)	1,242	37	1,279	-	-	1,242	37	1,279	1		2015	21
Finkral (Madison, NE)	(i)	1,346	34	1,380	-	-	1,346	34	1,380	2		2015	15
Golf Course (Madison, NE)	(i)	2,316	126	2,442	-	-	2,316	126	2,442	3		2015	29
Goodwater (Madison, NE)	(i)	2,539	78	2,617	-	-	2,539	78	2,617	3		2015	20
Norfolk (Madison, NE)	(i)	1,314	65	1,379	-	-	1,314	65	1,379	2		2015	28
60 (Pierce, NE)	(i)	500	10	510	-	-	500	10	510	1		2015	6
CAT (Pierce, NE)	(i)	1,136	11	1,147	-	-	1,136	11	1,147	1		2015	6
Christensen (Pierce, NE)	(i)	2,280	44	2,324	-	-	2,280	44	2,324	3		2015	24
Homeplace (Pierce, NE)	(i)	2,601	114	2,715	-	-	2,601	114	2,715	3		2015	32
Miller (Pierce, NE)	(i)	1,077	33	1,110	-	-	1,077	33	1,110	2		2015	29
Volk (Pierce, NE)	(i)	1,279	23	1,302	-	-	1,279	23	1,302	2		2015	14
Drury (Yuma, CO)	(l)	809	141	950	64	-	809	205	1,014	5		2015	31
Sutter (Yuma, CO)	(l)	1,301	699	2,000	-	-	1,301	699	2,000	12		2015	46
Bobcat (St. Francis, AR)	(l)	2,808	184	2,992	39	-	2,808	223	3,031	7		2015	19
Swindoll Darby (Tunica, MS)	(l)	1,437	33	1,470	-	-	1,437	33	1,470	1		2015	29
Abraham (Fulton, IL)	-	762	-	762	-	-	762	-	762	-		2015	-
Bennettsville (Marlboro, SC)	(j,k)	8,633	133	8,766	-	-	8,633	133	8,766	3		2015	23
AgEast (Beaufort, NC)	(j,k)	41,906	-	41,906	-	-	41,906	-	41,906	-		2015	-
Jarvis/Marco Ventures (Currituck, NC)	(j,k)	3,864	-	3,864	-	-	3,864	-	3,864	-		2015	-
Howey/Alexander (Pamlico, NC)	(j)	7,239	-	7,239	-	-	7,239	-	7,239	-		2015	-
Tantor (Pasquotank, NC)	(j)	1,770	-	1,770	-	-	1,770	-	1,770	-		2015	-

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Description	Encumbrances	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period			Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation in Latest Income Statements is Computed
		Land	Improvements	Total	Improvements	Land Improvements	Land	Improvements	Total				
In Middle (Pasquotank & Perquimans, NC)	(j)	5,750	-	5,750	-	-	5,750	-	5,750	-		2015	-
Larebee (Pasquotank & Perquimans, NC)	(j)	4,242	-	4,242	-	-	4,242	-	4,242	-		2015	-
Cartwright/Old Farm (Chesapeake, VA)	(j,k)	7,277	-	7,277	-	-	7,277	-	7,277	-		2015	-
Tomasek (McDonough, IL)	-	681	-	681	-	-	681	-	681	-		2015	-
Purdy (Crittenden & Mississippi, AR)	-	5,924	244	6,168	-	-	5,924	244	6,168	6		2015	20
Matthews (Tunica & DeSoto, MS)	-	5,338	238	5,576	-	-	5,338	238	5,576	8		2015	15
Riccioni (Van Buren, MI)	-	904	1,654	2,558	-	-	904	1,654	2,558	21		2015	24
Herrmann (Polk, NE)	-	1,232	56	1,288	-	-	1,232	56	1,288	1		2015	35
Mobley (Telfair, GA)	-	3,306	368	3,674	-	-	3,306	368	3,674	4		2015	26
Erker Wallace (Wallace, KS)	-	1,915	-	1,915	-	-	1,915	-	1,915	-		2015	-
Erker Wallace (Kit Carson, CO)	-	-	-	-	-	-	-	-	-	-		2015	-
Howe (McDonough, IL)	-	815	-	815	-	-	815	-	815	-		2015	-
Selph (Telfair, GA)	-	475	53	528	-	-	475	53	528	-		2015	21
Myers (Telfair, GA)	-	555	106	661	-	-	555	106	661	-		2015	31
Kosch (Butler, NE)	-	711	22	733	-	-	711	22	733	-		2015	27
Kinnison (Sedgwick, CO)	-	236	-	236	-	-	236	-	236	-		2015	-
First Midwest Bank Note	\$	26,650											
Farmer Mac Bond #1	\$	20,700											
Farmer Mac Bond #2	\$	5,460											
Farmer Mac Bond #3	\$	10,680											
Farmer Mac Bond #4	\$	13,400											
Farmer Mac Bond #5	\$	30,860											
Farmer Mac Bond #6	\$	14,915											
Farmer Mac Bond #7	\$	11,160											
Farmer Mac Bond #8A	\$	41,700											
Farmer Mac Bond #8B	\$	5,100											
Farmer Mac Bond #9	\$	6,600											
Totals	\$	187,225	\$ 290,109	\$ 16,753	\$ 306,862	\$ 10,007	\$ 719	\$ 290,828	\$ 26,760	\$ 317,589	1,668		

- (a) The aggregate basis for U.S. federal income tax purposes is \$273,093 .
- (b) Farm is part of a collateral pool for the \$26,650 First Midwest Bank note.
- (c) Farm is part of a collateral pool for the \$20,700 Farmer Mac Bond #1.
- (d) Farm is part of a collateral pool for the \$5,460 Farmer Mac Bond #2.
- (e) Farm is part of a collateral pool for the \$10,680 Farmer Mac Bond #3.
- (f) Farm is part of a collateral pool for the \$13,400 Farmer Mac Bond #4.
- (g) Farm is part of a collateral pool for the \$30,860 Farmer Mac Bond #5.
- (h) Farm is part of a collateral pool for the \$14,915 Farmer Mac Bond #6.
- (i) Farm is part of a collateral pool for the \$11,160 Farmer Mac Bond #7.
- (j) Farm is part of a collateral pool for the \$41,700 Farmer Mac Bond #8A.
- (k) Farm is part of a collateral pool for the \$5,100 Farmer Mac Bond #8B.
- (l) Farm is part of a collateral pool for the \$6,600 Farmer Mac Bond #9.

Farmland Partners Inc.
Schedule III – Real Estate and Accumulated Depreciation
Reconciliation of “Real Estate and Accumulated Depreciation”
(In Thousands)

	Years Ended December 31,		
	2015	2014	2013
Real estate:			
Balance at beginning of year	\$ 166,493	\$ 38,806	\$ 37,156
Additions during period			
Additions through construction of improvements	7,722	46	503
Disposition of improvements	(6)	(9)	—
Non cash acquisitions	—	—	—
Acquisitions through business combinations	143,380	127,650	1,147
Balance at end of year	<u>\$ 317,589</u>	<u>\$ 166,493</u>	<u>\$ 38,806</u>
Accumulated depreciation:			
Balance at beginning of year	\$ 777	\$ 450	\$ 302
Disposition of improvements	(1)	(2)	—
Additions charged to costs and expenses	892	329	148
Balance at end of year	<u>\$ 1,668</u>	<u>\$ 777</u>	<u>\$ 450</u>
Real Estate balance per schedule	317,589		
Construction in progress	286		
Other non-real estate	33		
Balance per consolidated balance sheet	<u>317,908</u>		
Accumulated depreciation per schedule	1,668		
Other non-real estate	3		
Balance per consolidated balance sheet	<u>1,671</u>		

**AMENDMENT NO. 2 TO
AMENDED AND RESTATED
AGVANTAGE BOND PURCHASE AGREEMENT**

This Amendment No. 2 (the “Amendment”) to the Amended and Restated AgVantage Bond Purchase Agreement, dated as of March 1, 2015, as amended by Amendment No. 1 dated June 2, 2015 (the “Bond Purchase Agreement”), among FARMER MAC MORTGAGE SECURITIES CORPORATION (the “Purchaser”), a wholly owned subsidiary of FEDERAL AGRICULTURAL MORTGAGE CORPORATION, a federally-chartered instrumentality of the United States and an institution of the Farm Credit System (“Farmer Mac” or the “Guarantor”); FARMLAND PARTNERS OPERATING PARTNERSHIP, LP, a Delaware limited partnership (“Issuer”); FARMLAND PARTNERS INC., a Maryland corporation, and the consolidated parent company of the Issuer (the “REIT”); and Farmer Mac, as Guarantor, is dated August 3, 2015 (the “Amendment Effective Date”). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Bond Purchase Agreement.

WHEREAS, Farmer Mac, the Purchaser, Issuer and the REIT desire to amend the Bond Purchase Agreement, as set forth below; and

WHEREAS, Section 8.06 of the Bond Purchase Agreement provides that the Bond Purchase Agreement may be amended pursuant to an agreement in writing entered into by Farmer Mac, the Purchaser, Issuer, and the REIT.

NOW THEREFORE, the in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Bond Purchase Agreement is hereby amended as follows:

1. The following term shall be added to Section 1.01 of the Bond Purchase Agreement:

““Adjusted EBITDA” means EBITDA, as adjusted for the following items (with such adjusted items agreed to by independent certified public accountants selected by the REIT in each case where such adjusted items are utilized in the Financial Statements): (i) “crop year adjusted revenue,” which shall mean, with respect to leases entered into on property acquired by the REIT or Issuer, the difference between the *pro rata* contractual cash revenue for each crop year spread equally over the quarterly periods of ownership (without regard to the date of acquisition within the quarter) and the rent recognized on a straight-line basis in accordance with GAAP on such leases; (ii) “real estate related acquisition audit fees,” which shall mean a portion of the audit fees incurred by the REIT or Issuer directly related to acquisitions of property that do not correlate with the ongoing operations of the REIT’s or Issuer’s real estate portfolio; and (iii) “real estate related acquisition and due diligence costs,” which shall mean acquisition expenses that are incurred for investment purposes and do not correlate with the ongoing operations of the REIT’s or Issuer’s real estate portfolio; *provided, however*, to the extent that the REIT from time to time ceases adjusting EBITDA in its Financial Statements for any of the

items referenced herein, then the definition of “Adjusted EBITDA” set forth herein shall no longer be adjusted for such item; and *further, provided*, that to the extent the REIT from time to time seeks to adjust EBITDA for any other item not referenced herein, such item or adjustment shall not be included in the definition of “Adjusted EBITDA” set forth herein without the prior written consent of Farmer Mac. The REIT or Issuer shall provide information on the calculations of the items or adjustments included in the definition of “Adjusted EBITDA” set forth herein or as defined in the Financial Statements to the extent requested by Farmer Mac.”

2. The following terms in Section 1.01 of the Bond Purchase Agreement are hereby amended and restated in their entirety as follows:

- a. ““ EBITDA ” means earnings before interest, taxes, depreciation, and amortization, as such terms are calculated under U.S. generally accepted accounting principles, and as disclosed in the REIT’s Financial Statements from time to time.”
- b. ““ Fixed Charge Coverage Ratio ” means the ratio of (a) the sum of the REIT’s (i) aggregate Adjusted EBITDA, as presented in the Financial Statements (subject to the definition of “Adjusted EBITDA” set forth herein), for the prior four Fiscal Quarters for which Financial Statements are available, which includes the most recently reported quarter and (ii) aggregate Non-Cash Expenses as presented in the Financial Statements, for the prior four Fiscal Quarters for which Financial Statements are available, which includes the most recently reported quarter to (b) the sum of the REIT’s (i) aggregate interest expense as presented in the Financial Statements, for the prior four Fiscal Quarters for which Financial Statements are available, which includes the most recently reported quarter, (ii) aggregate Capitalized Interest, for the prior four Fiscal Quarters for which Financial Statements are available, which includes the most recently reported quarter, (iii) aggregate preferred dividend payments as presented in the Financial Statements, to the extent required to be reflected as debt on the REIT’s Financial Statements, for the prior four Fiscal Quarters for which Financial Statements are available, which includes the most recently reported quarter, and (iv) aggregate Lease Payments, for the prior four Fiscal Quarters for which Financial Statements are available, which includes the most recently reported quarter.”

3. Annex E shall be revised as set forth on Exhibit I hereto.

4. This Amendment contains the entire agreement between the parties regarding the modifications made to the Bond Purchase Agreement. Except as explicitly modified by this Amendment, each and every term, condition, exhibit, schedule, annex, and provision of the Bond Purchase Agreement shall remain in full force and effect.

5. This Amendment shall be governed by, and construed in accordance with, federal law. To the extent federal law incorporates state law, that state law shall be the laws of the State of New York applicable to contracts made and performed therein.

6. This Amendment may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto hereby execute this Amendment as of the day and year first above written.

**FARMER MAC MORTGAGE
SECURITIES CORPORATION**

By: /s/ R. Dale Lynch

Name: R. Dale Lynch

Title: Vice President and Treasurer

**FEDERAL AGRICULTURAL
MORTGAGE CORPORATION**

By: /s/ R. Dale Lynch

Name: R. Dale Lynch

Title: Executive Vice President – Chief
Financial Officer

**FARMLAND PARTNERS OPERATING
PARTNERSHIP, LP**

By: /s/ Luca Fabbri

Name: Luca Fabbri

Title: Chief Financial Officer

FARMLAND PARTNERS INC.

By: /s/ Luca Fabbri

Name: Luca Fabbri

Title: Chief Financial Officer, Secretary and
Treasurer

ANNEX E

FORM OF REIT OFFICERS' CERTIFICATE

We, _____, and _____, of Farmland Partners Inc. (the "REIT"), in connection with that certain Amended and Restated AgVantage Bond Purchase Agreement dated as of March 1, 2015, as amended from time to time, among Issuer, the REIT, Farmer Mac Mortgage Securities Corporation, and Federal Agricultural Mortgage Corporation (the "Bond Purchase Agreement"), hereby certify on behalf of the REIT, as applicable, that as of the end of the most recent Fiscal Quarter:

- (1) the REIT's Leverage Ratio is as follows: _____
 - a. Total Debt: _____
 - b. Total Assets: _____
 - i. Contributed Asset Value Difference: _____
 - ii. Total assets: _____
 - (2) the REIT's Fixed Charge Coverage Ratio is as follows: _____
 - a. Aggregate Adjusted EBITDA: _____
 - b. Aggregate Non-Cash Expenses: _____
 - c. Aggregate interest expense: _____
 - d. Aggregate Capitalized Interest: _____
 - e. Aggregate preferred dividend payments: _____
 - f. Aggregate Lease Payments: _____
 - (3) the REIT's Tangible Net Worth is as follows: _____
 - a. Stockholders' Equity: _____
 - b. Contributed Asset Value Difference: _____
 - c. Accumulated Depreciation and Amortization: _____
 - d. Intangible Asset Value: _____
 - e. Minimum Tangible Net Worth: _____
 - (4) to our knowledge, the values set forth above in paragraphs (1)-(3) are correct and accurate in all material respects.
-

- (5) the REIT is in compliance with all of the Financial Covenants contained in the Bond Purchase Agreement.

Capitalized terms used in this certificate shall have the meanings given to those terms in the Bond Purchase Agreement.

DATED as of this ____ day of _____, _____.

FARMLAND PARTNERS INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (this “**Agreement**”) is entered into as of _____, 20____, by and among FARMLAND PARTNERS INC., a Maryland corporation (the “**Company**” or the “**Indemnitor**”) and [_____] (the “**Indemnitee**”). See Schedule A for a list of officers and directors who have entered into this Indemnification Agreement with the Company.

WHEREAS, the Indemnitee is an officer [or][and] a member of the Board of Directors of the Company and in such [capacity][capacities] is performing a valuable service for the Company;

WHEREAS, Maryland law permits the Company to enter into contracts with its officers or members of its Board of Directors with respect to indemnification of, and advancement of expenses to, such persons;

WHEREAS, the Articles of Amendment and Restatement of the Company (the “**Charter**”) provide that the Company shall indemnify and advance expenses to its directors and officers to the maximum extent permitted by Maryland law in effect from time to time;

WHEREAS, the Bylaws of the Company (the “**Bylaws**”) provide that each director and officer of the Company shall be indemnified by the Company to the maximum extent permitted by Maryland law in effect from time to time and shall be entitled to advancement of expenses consistent with Maryland law; and

WHEREAS, to induce the Indemnitee to provide services to the Company as an officer [or][and] a member of the Board of Directors, and to provide the Indemnitee with specific contractual assurance that indemnification will be available to the Indemnitee regardless of, among other things, any amendment to or revocation of the Charter or the Bylaws, or any acquisition transaction relating to the Company, the Indemnitor desires to provide the Indemnitee with protection against personal liability as set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Indemnitor and the Indemnitee hereby agree as follows:

1. DEFINITIONS.

For purposes of this Agreement:

- (a) “**Change in Control**” shall have the meaning ascribed to it by the Company’s 2014 Equity Incentive Plan or any equity incentive or stock compensation plan adopted by the Board of Directors and approved by the stockholders of the Company that may later replace the Company’s 2014 Equity Incentive Plan.
 - (b) “**Corporate Status**” describes the status of a person who is or was a director or officer of the Company or is or was serving at the request of the Company as a director, officer, partner (limited or general), member, director, employee or agent of any other foreign or domestic corporation, partnership, joint venture, limited liability company, trust, other enterprise (whether conducted for profit or not for profit) or employee benefit plan. The Company shall be deemed to have requested
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the Indemnitee to serve an employee benefit plan where the performance of the Indemnitee ' s duties to the Company also imposes or imposed duties on, or otherwise involves or involved services by, the Indemnitee to the plan or participants or beneficiaries of the plan.

- (c) “ **Expenses** ” shall include all attorneys ' and paralegals ' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.
- (d) “ **Proceeding** ” includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation (including any internal investigation), administrative hearing, or any other proceeding, including appeals therefrom, whether civil, criminal, administrative, or investigative, except one initiated by the Indemnitee pursuant to paragraph 8 of this Agreement to enforce such Indemnitee ' s rights under this Agreement.
- (e) “ **Special Legal Counsel** ” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, or in the past two years has been, retained to represent (i) the Indemnitor or the Indemnitee in any matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder.

2. INDEMNIFICATION.

The Indemnitee shall be entitled to the rights of indemnification provided in this paragraph 2 and under applicable law, the Charter, the Bylaws, any other agreement, a vote of stockholders or resolution of the Board of Directors or otherwise if, by reason of such Indemnitee ' s Corporate Status, such Indemnitee is, or is threatened to be made, a party to any threatened, pending, or completed Proceeding, including a Proceeding by or in the right of the Company. Unless prohibited by paragraph 13 hereof and subject to the other provisions of this Agreement, the Indemnitee shall be indemnified hereunder, to the maximum extent permitted by Maryland law in effect from time to time, against judgments, penalties, fines, liabilities, and settlements and reasonable Expenses actually incurred by or on behalf of such Indemnitee in connection with such Proceeding or any claim, issue or matter therein; provided, however, that if such Proceeding was initiated by or in the right of the Company, indemnification may not be made in respect of such Proceeding if the Indemnitee shall have been finally adjudged to be liable to the Company. For purposes of this paragraph 2, excise taxes assessed on the Indemnitee with respect to an employee benefit plan pursuant to applicable law shall be deemed fines.

3. EXPENSES OF A SUCCESSFUL PARTY.

Without limiting the effect of any other provision of this Agreement, including the rights provided for in paragraphs 2 and 4 hereof, and without regard to the provisions of paragraph 6 hereof, to the extent that the Indemnitee is, by reason of such Indemnitee ' s Corporate Status, a

party to and is successful, on the merits or otherwise, in any Proceeding pursuant to a final non-appealable order, such Indemnitee shall be indemnified against all reasonable Expenses actually incurred by or on behalf of such Indemnitee in connection therewith. If the Indemnitee is not wholly successful in such Proceeding pursuant to a final non-appealable order but is successful, on the merits or otherwise, as to one or more but less than all claims, issues, or matters in such Proceeding pursuant to a final non-appealable order, the Indemnitor shall indemnify the Indemnitee against all reasonable Expenses actually incurred by or on behalf of such Indemnitee in connection with each successfully resolved claim, issue or matter. For purposes of this paragraph and without limitation, the termination of any claim, issue or matter in such Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

4. ADVANCEMENT OF EXPENSES.

Notwithstanding anything in this Agreement to the contrary, but subject to paragraph 13 hereof, if the Indemnitee is or was or becomes a party to or is otherwise involved in any Proceeding (including as a witness), or is or was threatened to be made a party to or a participant (including as a witness) in any such Proceeding, by reason of the Indemnitee ' s Corporate Status, or by reason of (or arising in part out of) any actual or alleged event or occurrence related to the Indemnitee ' s Corporate Status, or by reason of any actual or alleged act or omission on the part of the Indemnitee taken or omitted in or relating to the Indemnitee ' s Corporate Status, then the Indemnitor shall advance all reasonable Expenses incurred by the Indemnitee in connection with any such Proceeding within twenty (20) days after the receipt by the Indemnitor of a statement from the Indemnitee requesting such advance from time to time, whether prior to or after final disposition of such Proceeding; provided that, such statement shall reasonably evidence the Expenses incurred or to be incurred by the Indemnitee and shall include or be preceded or accompanied by (i) a written affirmation by the Indemnitee of the Indemnitee ' s good faith belief that the standard of conduct necessary for indemnification by the Indemnitor as authorized by this Agreement has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the standard of conduct has not been met. The undertaking required by clause (ii) of the immediately preceding sentence shall be an unlimited general obligation of the Indemnitee but need not be secured and may be accepted without reference to financial ability to make the repayment.

5. WITNESS EXPENSES.

Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is, by reason of such Indemnitee ' s Corporate Status, a witness for any reason in any Proceeding to which such Indemnitee is not a named defendant or respondent, such Indemnitee shall be indemnified by the Indemnitor against all Expenses actually incurred by or on behalf of such Indemnitee in connection therewith.

6. DETERMINATION OF ENTITLEMENT TO AND AUTHORIZATION OF INDEMNIFICATION.

- (a) To obtain indemnification under this Agreement, the Indemnitee shall submit to the Indemnitor a written request, including therewith such documentation and

information reasonably necessary to determine whether and to what extent the Indemnatee is entitled to indemnification.

- (b) Indemnification under this Agreement may not be made unless authorized for a specific Proceeding after a determination has been made in accordance with this paragraph 6 (b) that indemnification of the Indemnatee is permissible in the circumstances because the Indemnatee has met the following standard of conduct: the Indemnitor shall indemnify the Indemnatee in accordance with the provisions of paragraph 2 hereof, unless it is established that: (a) the act or omission of the Indemnatee was material to the matter giving rise to the Proceeding and (x) was committed in bad faith or (y) was the result of active and deliberate dishonesty; (b) the Indemnatee actually received an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, the Indemnatee had reasonable cause to believe that the act or omission was unlawful. Upon receipt by the Indemnitor of the Indemnatee's written request for indemnification pursuant to subparagraph 6(a), a determination as to whether the applicable standard of conduct has been met shall be made within the period specified in paragraph 6(e): (i) if a Change in Control shall have occurred, by Special Legal Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnatee, with Special Legal Counsel selected by the Indemnatee (the Indemnatee shall give prompt written notice to the Indemnitor advising the Indemnitor of the identity of the Special Legal Counsel so selected); or (ii) if a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of directors not, at the time, parties to the Proceeding, or, if such quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting solely of two or more directors not, at the time, parties to such Proceeding and who were duly designated to act in the matter by a majority vote of the full Board of Directors in which the designated directors who are parties may participate, (B) if the requisite quorum of the full Board of Directors cannot be obtained therefor and the committee cannot be established (or, even if such quorum is obtainable or such committee can be established, if such quorum or committee so directs), by Special Legal Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnatee, with Special Legal Counsel selected by the Board of Directors or a committee of the Board of Directors by vote as set forth in clause (ii) (A) of this paragraph 6 (b) (or, if the requisite quorum of the full Board of Directors cannot be obtained therefor and the committee cannot be established, by a majority of the full Board of Directors in which directors who are parties to the Proceeding may participate) (if the Indemnitor selects Special Legal Counsel to make the determination under this clause (ii), the Indemnitor shall give prompt written notice to the Indemnatee advising him or her of the identity of the Special Legal Counsel so selected) or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that the Indemnatee is entitled to indemnification, payment to the Indemnatee shall be made within ten (10) days after such determination. Authorization of indemnification and determination as to reasonableness of Expenses shall be made in the same manner as the determination that indemnification is permissible.

However, if the determination that indemnification is permissible is made by Special Legal Counsel under clause (ii) (B) above, authorization of indemnification and determination as to reasonableness of Expenses shall be made in the manner specified under clause (ii) (B) above for the selection of such Special Legal Counsel.

- (c) The Indemnitee shall cooperate with the person or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any reasonable costs or expenses (including reasonable attorneys' fees and disbursements) incurred by the Indemnitee in so cooperating shall be borne by the Indemnitor (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Indemnitor hereby indemnifies and agrees to hold the Indemnitee harmless therefrom.
- (d) In the event the determination of entitlement to indemnification is to be made by Special Legal Counsel pursuant to paragraph 6 (b) hereof, the Indemnitee, or the Indemnitor, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Indemnitor or to the Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the grounds that the Special Legal Counsel so selected does not meet the requirements of "Special Legal Counsel" as defined in paragraph 1 of this Agreement. If such written objection is made, the Special Legal Counsel so selected may not serve as Special Legal Counsel until a court has determined that such objection is without merit. If, within twenty (20) days after submission by the Indemnitee of a written request for indemnification pursuant to paragraph 6 (a) hereof, no Special Legal Counsel shall have been selected or, if selected, shall have been objected to, either the Indemnitor or the Indemnitee may petition a court for resolution of any objection which shall have been made by the Indemnitor or the Indemnitee to the other's selection of Special Legal Counsel and/or for the appointment as Special Legal Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Special Legal Counsel under paragraph 6 (b) hereof. The Indemnitor shall pay all reasonable fees and expenses of Special Legal Counsel incurred in connection with acting pursuant to paragraph 6 (b) hereof, and all reasonable fees and expenses incident to the selection of such Special Legal Counsel pursuant to this paragraph 6(d). In the event that a determination of entitlement to indemnification is to be made by Special Legal Counsel and such determination shall not have been made and delivered in a written opinion within ninety (90) days after the receipt by the Indemnitor of the Indemnitee's request in accordance with paragraph 6(a), upon the due commencement of any judicial proceeding in accordance with paragraph 8 (a) of this Agreement, Special Legal Counsel shall be discharged and relieved of any further responsibility in such capacity.

- (e) If the person or entity making the determination whether the Indemnitee is entitled to indemnification shall not have made a determination within forty-five (45) days after receipt by the Indemnitor of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be entitled to such indemnification, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law. Such 45-day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person or entity making said determination in good faith requires additional time for the obtaining or evaluating of documentation and/or information relating thereto. The foregoing provisions of this paragraph 6 (e) shall not apply: (i) if the determination of entitlement to indemnification is to be made by the stockholders and if within fifteen (15) days after receipt by the Indemnitor of the request for such determination the Board of Directors resolves to submit such determination to the stockholders for consideration at an annual or special meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made at such meeting, or (ii) if the determination of entitlement to indemnification is to be made by Special Legal Counsel pursuant to paragraph 6 (b) of this Agreement.

7. PRESUMPTIONS.

- (a) In making a determination with respect to entitlement or authorization of indemnification hereunder, the person or entity making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement and the Indemnitor shall have the burden of proof to overcome such presumption.
- (b) The termination of any Proceeding by conviction, or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

8. REMEDIES.

- (a) In the event that: (i) a determination is made in accordance with the provisions of paragraph 6 that the Indemnitee is not entitled to indemnification under this Agreement, or (ii) advancement of reasonable Expenses is not timely made pursuant to this Agreement, or (iii) payment of indemnification due the Indemnitee under this Agreement is not timely made, the Indemnitee shall be entitled to an adjudication in an appropriate court of competent jurisdiction of such Indemnitee's entitlement to such indemnification or advancement of Expenses.
- (b) In the event that a determination shall have been made pursuant to paragraph 6 of this Agreement that the Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this paragraph 8 shall be conducted in all

respects as a de novo trial on the merits. The fact that a determination had been made earlier pursuant to paragraph 6 of this Agreement that the Indemnitee was not entitled to indemnification shall not be taken into account in any judicial proceeding commenced pursuant to this paragraph 8 and the Indemnitee shall not be prejudiced in any way by reason of that adverse determination. In any judicial proceeding commenced pursuant to this paragraph 8, the Indemnitor shall have the burden of proving that the Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

- (c) If a determination shall have been made or deemed to have been made pursuant to this Agreement that the Indemnitee is entitled to indemnification, the Indemnitor shall be bound by such determination in any judicial proceeding commenced pursuant to this paragraph 8, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.
- (d) The Indemnitor shall be precluded from asserting in any judicial proceeding commenced pursuant to this paragraph 8 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Indemnitor is bound by all the provisions of this Agreement.
- (e) In the event that the Indemnitee, pursuant to this paragraph 8, seeks a judicial adjudication of such Indemnitee's rights under, or to recover damages for breach of, this Agreement, if successful on the merits or otherwise as to all or less than all claims, issues or matters in such judicial adjudication, the Indemnitee shall be entitled to recover from the Indemnitor, and shall be indemnified by the Indemnitor against, any and all reasonable Expenses actually incurred by such Indemnitee in connection with each successfully resolved claim, issue or matter.

9. NOTIFICATION AND DEFENSE OF CLAIMS.

The Indemnitee agrees promptly to notify the Indemnitor in writing upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder, but the failure so to notify the Indemnitor will not relieve the Indemnitor from any liability that the Indemnitor may have to Indemnitee under this Agreement unless the Indemnitor is materially prejudiced thereby. With respect to any such Proceeding as to which Indemnitee notifies the Indemnitor of the commencement thereof:

- (a) The Indemnitor will be entitled to participate therein at its own expense.
- (b) Except as otherwise provided below, the Indemnitor will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After notice from the Indemnitor to Indemnitee of the Indemnitor's election so to assume the defense thereof, the Indemnitor will not be liable to Indemnitee under this

Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ Indemnitee's own counsel in such Proceeding, but the fees and disbursements of such counsel incurred after notice from the Indemnitor of the Indemnitor's assumption of the defense thereof shall be at the expense of Indemnitee unless (a) the employment of counsel by Indemnitee has been authorized by the Indemnitor, (b) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Indemnitor and the Indemnitee in the conduct of the defense of such action, (c) such Proceeding seeks penalties or other relief against the Indemnitee with respect to which the Indemnitor could not provide monetary indemnification to the Indemnitee (such as injunctive relief or incarceration) or (d) the Indemnitor shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and disbursements of counsel shall be at the expense of the Indemnitor. The Indemnitor shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Indemnitor, or as to which Indemnitee shall have reached the conclusion specified in clause (b) above, or which involves penalties or other relief against Indemnitee of the type referred to in clause (c) above.

- (c) The Indemnitor shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without the Indemnitor's written consent. The Indemnitor shall not settle any action or claim in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Indemnitor nor Indemnitee will unreasonably withhold or delay consent to any proposed settlement.

10. NON-EXCLUSIVITY; SURVIVAL OF RIGHTS; INSURANCE SUBROGATION.

- (a) The rights of indemnification and to receive advancement of reasonable Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under applicable law, the Charter, the Bylaws, any other agreement, a vote of stockholders, a resolution of the Board of Directors or otherwise, except that any payments otherwise required to be made by the Indemnitor hereunder shall be offset by any and all amounts received by the Indemnitee from any other indemnitor or under one or more liability insurance policies maintained by an indemnitor or otherwise and shall not be duplicative of any other payments received by an Indemnitee from the Indemnitor in respect of the matter giving rise to the indemnity hereunder. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to the Indemnitee with respect to any action taken or omitted by the Indemnitee prior to such amendment, alteration or repeal.
- (b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors and officers of the Company, the Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available and upon any

Change in Control the Company shall use commercially reasonable efforts to obtain or arrange for continuation and/or “ tail ” coverage for the Indemnatee to the maximum extent obtainable at such time.

- (c) In the event of any payment under this Agreement, the Indemnitor shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnatee, who shall execute all papers required and take all actions necessary to secure such rights, including execution of such documents as are necessary to enable the Indemnitor to bring suit to enforce such rights.
- (d) The Indemnitor shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnatee has otherwise actually received such payment under any insurance policy, contract, agreement, or otherwise.

11. CONTINUATION OF INDEMNITY.

- (a) All agreements and obligations of the Indemnitor contained herein shall continue during the period the Indemnatee is an officer or a member of the Board of Directors of the Company and shall continue thereafter so long as the Indemnatee shall be subject to any threatened, pending or completed Proceeding by reason of such Indemnatee ' s Corporate Status and during the period of statute of limitations for any act or omission occurring during the Indemnatee ' s term of Corporate Status. This Agreement shall be binding upon the Indemnitor and its respective successors and assigns and shall inure to the benefit of the Indemnatee and such Indemnatee ' s heirs, executors and administrators.
- (b) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance reasonably satisfactory to the Indemnatee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

12. SEVERABILITY.

If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provisions held invalid, illegal or unenforceable.

13. EXCEPTIONS TO RIGHT OF INDEMNIFICATION OR ADVANCEMENT OF EXPENSES.

Notwithstanding any other provisions of this Agreement, the Indemnitee shall not be entitled to indemnification or advancement of reasonable Expenses under this Agreement with respect to (i) any Proceeding initiated by such Indemnitee against the Indemnitor other than a proceeding commenced pursuant to paragraph 8 hereof, or (ii) any Proceeding for an accounting of profits arising from the purchase and sale by Indemnitee of securities of the Company in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, rules and regulations promulgated thereunder, or any similar provisions of any federal, state or local statute.

14. NOTICE TO THE COMPANY STOCKHOLDERS.

Any indemnification of, or advancement of reasonable Expenses, to an Indemnitee in accordance with this Agreement, if arising out of a Proceeding by or in the right of the Company, shall be reported in writing to the stockholders of the Company with the notice of the next Company stockholders' meeting or prior to the meeting.

15. HEADINGS.

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

16. MODIFICATION AND WAIVER.

No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. NOTICES.

All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, if so delivered or mailed, as the case may be, to the following addresses:

If to the Indemnitee, to the address set forth in the records of the Company.

If to the Indemnitor, to:

Farmland Partners Inc.

8670 Wolff Court, Suite 240

Westminster, Colorado 80031

Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:
Morrison & Foerster LLP
2000 Pennsylvania Avenue
Suite 6000
Washington, DC 20006
Attention: Justin R. Salon, Esq.
Fax: 202-887-0763
Email: JSalon@mofo.com

or to such other address as may have been furnished to the Indemnitee by the Indemnitor or to the Indemnitor by the Indemnitee, as the case may be.

18. GOVERNING LAW.

The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without application of the conflict of laws principles thereof.

19. NO ASSIGNMENTS.

The Indemnitee may not assign its rights or delegate obligations under this Agreement without the prior written consent of the Indemnitor. Any assignment or delegation in violation of this paragraph 19 shall be null and void.

20. NO THIRD-PARTY RIGHTS.

Nothing expressed or referred to in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions are for the sole and exclusive benefit of the parties to this Agreement and their successors and permitted assigns.

21. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together constitute an agreement binding on all of the parties hereto.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

FARMLAND PARTNERS INC.

By: _____
Name:
Title:

INDEMNITEE:

By: _____
Name:
Title:

Signature Page to Indemnification Agreement

Schedule A

Indemnatee	Date
Paul A. Pittman	April 16, 2014
Luca Fabbri	April 16, 2014
Jay Bartels	April 16, 2014
Chris A. Downey	April 16, 2014
Dean Jernigan	April 16, 2014
Darell D. Sarff	April 16, 2014
Robert S. Solomon	April 16, 2014
Joseph W. Glauber	February 25, 2015
Michael N. Christodolou	November 20, 2015

Entity	State
Farmland Partners Inc.	MD
Farmland Partners Operating Partnership, L.P.	DE
Farmland Partners OP GP, LLC	DE
PH Farms LLC	IL
Cottonwood Valley Land, LLC	NE
FPI Colorado LLC	DE
FPI Burlington Farms LLC	DE
FPI Arkansas LLC	DE
FPI Agribusiness LLC	DE

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (No. 333-203798 and No. 333-203799) and Forms S-8 (No. 333-195268 and No. 333-203874) of Farmland Partners Inc. of our report dated March 15, 2016 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Denver, CO
March 15, 2016

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul A. Pittman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2015 of Farmland Partners Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2016

/s/ PAUL A. PITTMAN

Paul A. Pittman

Executive Chairman, President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Luca Fabbri, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2015 of Farmland Partners Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2016

/s/ LUCA FABBRI

Luca Fabbri

Chief Financial Officer, Secretary and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Farmland Partners Inc. (the "Company") on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul A. Pittman, the Executive Chairman, President and Chief Executive Officer of the Company, and I, Luca Fabbri, the Chief Financial Officer, Secretary and Treasurer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2016

/s/ PAUL A. PITTMAN

Paul A. Pittman

Executive Chairman, President and Chief Executive Officer

Date: March 15, 2016

/s/ LUCA FABBRI

Luca Fabbri

Chief Financial Officer, Secretary and Treasurer
