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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

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

For the transition period from _____ to _____

Commission file number: 001- 36405

FARMLAND PARTNERS INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State of Organization)

46-3769850
(IRS Employer
Identification No.)

4600 South Syracuse Street, Suite 1450
Denver, Colorado
(Address of Principal Executive Offices)

80237-2766
(Zip Code)

(720) 452-3100

(Registrant's Telephone Number, Including Area Code)

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large Accelerated Filer ☐

Accelerated Filer ☒

Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

As of November 7, 2016, 14,045,787 shares of the Registrant's common stock were outstanding.

Farmland Partners Inc.

**FORM 10-Q FOR THE QUARTER ENDED
September 30, 2016**

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Farmland Partners Inc.
Combined Consolidated Balance Sheets
As of September 30, 2016 and December 31, 2015
(Unaudited)
(in thousands except par value and share data)

	September 30,	December 31,
	2016	2015
ASSETS		
Land, at cost	\$ 546,794	\$ 290,828
Grain facilities	6,244	4,830
Groundwater	11,933	6,333
Irrigation improvements	15,839	11,909
Drainage improvements	4,778	1,641
Permanent plantings	1,846	1,168
Other	2,874	913
Construction in progress	863	286
Real estate, at cost	591,171	317,908
Less accumulated depreciation	(2,773)	(1,671)
Total real estate, net	588,398	316,237
Deposits	196	765
Cash	17,189	23,514
Notes and interest receivable, net	2,870	2,812
Deferred offering costs	250	267
Accounts receivable, net	2,131	703
Inventory	378	249
Other	1,053	407
TOTAL ASSETS	\$ 612,465	\$ 344,954
LIABILITIES AND EQUITY		
LIABILITIES		
Mortgage notes and bonds payable, net	\$ 302,393	\$ 187,074
Dividends payable	2,515	2,060
Accrued interest	1,626	681
Accrued property taxes	962	764
Deferred revenue (See Note 2)	5,720	4,854
Accrued expenses	3,002	1,292
Total liabilities	316,218	196,725
Commitments and contingencies (See Note 8)		
Redeemable non-controlling interests in operating partnership, common units	—	9,695
Redeemable non-controlling interests in operating partnership, preferred units	119,057	—
EQUITY		
Common stock, \$0.01 par value, 500,000,000 shares authorized; 14,045,787 shares issued and outstanding at September 30, 2016, and 11,978,675 shares issued and outstanding at December 31, 2015	139	118
Additional paid in capital	137,571	114,783
Retained earnings	247	659
Cumulative dividends	(12,261)	(7,188)
Non-controlling interests in operating partnership	51,494	30,162
Total equity	177,190	138,534
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS IN OPERATING PARTNERSHIP AND EQUITY	\$ 612,465	\$ 344,954

See accompanying notes.

Farmland Partners Inc.
Combined Consolidated Statements of Operations
For the three months and nine months ended September 30, 2016 and 2015
(Unaudited)
(in thousands except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
OPERATING REVENUES:				
Rental income (See Note 2)	\$ 6,164	\$ 4,047	\$ 16,462	\$ 8,866
Tenant reimbursements	112	104	276	273
Other revenue	670	18	931	18
Total operating revenues	6,946	4,169	17,669	9,157
OPERATING EXPENSES				
Depreciation and depletion	419	237	1,102	613
Property operating expenses	548	338	1,529	798
Acquisition and due diligence costs	1,712	112	1,818	179
General and administrative expenses	1,587	1,112	4,770	2,976
Legal and accounting	330	216	882	647
Other operating expenses	160	—	248	—
Total operating expenses	4,756	2,015	10,349	5,213
OPERATING INCOME	2,190	2,154	7,320	3,944
OTHER (INCOME) EXPENSE:				
Other income	(72)	(98)	(133)	(98)
Interest expense	2,065	1,390	7,869	3,232
Total other expense	1,993	1,292	7,736	3,134
Net income (loss) before income tax expense	197	862	(416)	810
Income tax expense	97	4	97	4
NET INCOME (LOSS)	100	858	(513)	806
Net (income) loss attributable to non-controlling interests in operating partnership	(30)	(184)	37	(178)
Net (income) loss attributable to redeemable non-controlling interests in operating partnership	—	(50)	64	(53)
Net income (loss) attributable to the Company	70	624	(412)	575
Nonforfeitable distributions allocated to unvested restricted shares	(24)	(19)	(72)	(62)
Distributions on redeemable non-controlling interests in operating partnership, common units	—	(113)	(113)	(226)
Distributions on redeemable non-controlling interests in operating partnership, preferred units	(887)	—	(2,057)	—
Net (loss) income available to common stockholders of Farmland Partners Inc.	\$ (841)	\$ 492	\$ (2,654)	\$ 287
Basic and diluted per common share data:				
Basic net (loss) income available to common stockholders	\$ (0.06)	\$ 0.04	\$ (0.21)	\$ 0.03
Diluted net (loss) income available to common stockholders	\$ (0.06)	\$ 0.04	\$ (0.21)	\$ 0.03
Basic weighted average common shares outstanding	13,683	11,154	12,663	8,872
Diluted weighted average common shares outstanding	13,683	11,158	12,663	8,882
Dividends declared per common share	\$ 0.13	\$ 0.13	\$ 0.38	\$ 0.37

See accompanying notes.

Farmland Partners Inc.
Combined Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2016 and 2015
(Unaudited)
(in thousands)

	Stockholders' Equity					Non-controlling Interests in Operating Partnership	Total Equity
	Common Stock			Retained Earnings (Deficit)	Cumulative Dividends		
	Shares	Par Value	Additional Paid-in Capital				
Balance at December 31, 2014	7,732	\$ 75	\$ 68,980	\$ (569)	\$ (2,130)	\$ 17,169	\$ 83,525
Net income	—	—	—	575	—	178	753
Grant of unvested restricted stock	6	—	—	—	—	—	—
Stock based compensation	—	—	719	—	—	—	719
Dividends and distributions accrued or paid	—	—	—	—	(3,531)	(1,066)	(4,597)
Issuance of stock as partial consideration for asset acquisition	888	9	9,748	—	—	—	9,757
Issuance of OP units as partial consideration for asset acquisition	—	—	—	—	—	14,937	14,937
Adjustment to arrive at fair value of redeemable non-controlling interest	—	—	(36)	—	—	—	(36)
Forfeiture of unvested restricted stock	(3)	—	(10)	—	—	—	(10)
Proceeds from underwritten public offering, net of offering costs of \$471,189 and underwriters discount of \$1,848,000	3,360	34	34,607	—	—	—	34,641
Repurchase and cancellation of shares	(2)	—	(21)	—	—	—	(21)
Adjustments to non-controlling interests resulting from changes in ownership of operating partnership	—	—	809	—	—	(809)	—
Balance at September 30, 2015	<u>11,981</u>	<u>\$ 118</u>	<u>\$ 114,796</u>	<u>\$ 6</u>	<u>\$ (5,661)</u>	<u>\$ 30,409</u>	<u>\$ 139,668</u>
Balance at December 31, 2015	11,979	\$ 118	\$ 114,783	\$ 659	\$ (7,188)	\$ 30,162	\$ 138,534
Net loss	—	—	—	(412)	—	(37)	(449)
Grant of unvested restricted stock	119	—	—	—	—	—	—
Issuance of common stock under the ATM	844	10	9,224	—	—	—	9,234
Conversion of common units to REIT Shares	1,109	11	10,450	—	—	(10,461)	—
Stock based compensation	—	—	892	—	—	—	892
Dividends and distributions accrued or paid	—	—	(2,057)	—	(5,073)	(2,232)	(9,362)
Issuance of common units as partial consideration for asset acquisition	—	—	—	—	—	28,825	28,825
Reclassification of common OP units from mezzanine equity	—	—	—	—	—	9,519	9,519
Forfeiture of unvested restricted stock	(5)	—	(3)	—	—	—	(3)
Adjustments to non-controlling interests resulting from changes in ownership of operating partnership	—	—	4,282	—	—	(4,282)	—
Balance at September 30, 2016	<u>14,046</u>	<u>\$ 139</u>	<u>\$ 137,571</u>	<u>\$ 247</u>	<u>\$ (12,261)</u>	<u>\$ 51,494</u>	<u>\$ 177,190</u>

See accompanying notes.

Farmland Partners Inc.
Combined Consolidated Statements of Cash Flows
For the nine months ended September 30, 2016 and 2015
(Unaudited)

	For the Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (513)	\$ 806
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and depletion	1,102	613
Amortization of deferred financing fees and discounts/premiums on debt	219	128
Amortization of net origination fees related to notes receivable	(3)	(3)
Amortization of below market leases	(63)	(122)
Stock based compensation	889	709
Loss on disposition of assets	—	4
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,427)	(514)
Increase in interest receivable	(106)	(15)
Increase in other assets	(303)	(144)
Increase in inventory	(129)	(189)
Increase in accrued interest	945	1,218
Increase (decrease) in accrued expenses	1,984	(21)
Increase in deferred revenue	900	5,911
Increase in accrued property taxes	119	273
Net cash provided by operating activities	3,614	8,654
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate acquisitions	(122,388)	(98,910)
Real estate and other improvements	(5,011)	(6,348)
Principal receipts on notes receivable	50	—
Issuance of note receivable	—	(1,800)
Origination fees on notes receivable	—	40
Payment of direct costs related to note receivable	—	(18)
Net cash used in investing activities	(127,349)	(107,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from mortgage notes payable	200,787	82,475
Repayments on mortgage notes payable	(84,750)	(6,128)
Proceeds from underwritten public offering	—	35,112
Proceeds from ATM offering	9,338	—
Common stock repurchased	—	(21)
Payment of offering costs	(64)	(480)
Payment of debt issuance costs	(937)	(224)
Dividends on common stock	(4,809)	(2,900)
Refund on outstanding debt	—	300
Distributions to non-controlling interests in operating partnership, common	(2,155)	(984)
Net cash provided by financing activities	117,410	107,150
NET (DECREASE) INCREASE IN CASH	(6,325)	8,768
CASH, BEGINNING OF PERIOD	23,514	33,736
CASH, END OF PERIOD	\$ 17,189	\$ 42,504
Cash paid during period for interest	\$ 6,706	\$ 1,887
Cash paid during period for taxes	\$ —	\$ 4
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Dividend payable, common stock	\$ 1,791	\$ 2,060
Distributions payable, common units	\$ 724	\$ —
Distributions payable, preferred units	\$ 2,057	\$ —
Additions to real estate improvements included in accrued expenses	\$ 134	\$ 407
Transfer of deferred offering costs to equity	\$ 104	\$ —
Financing fees included in accrued expenses	\$ —	\$ 4
Direct costs related to note receivable included in accrued expenses	\$ —	\$ 10
Issuance of equity from non-controlling interests in operating partnership in conjunction with acquisitions	\$ 145,826	\$ 34,388
Below market lease acquisitions	\$ 29	\$ 230
Real estate acquisition costs included in accrued expenses	\$ —	\$ 11
Capitalization of deferred offering costs as a result of pending financing transactions	\$ —	\$ 265
Accounts receivable acquired in acquisitions	\$ —	\$ (107)
Property tax liability assumed in acquisitions	\$ 79	\$ 50
Deferred offering costs included in accrued expenses	\$ 24	\$ —
Other assets acquired in business combination	\$ —	\$ (33)

See accompanying notes.

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

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 September 30, 2016, the Company owned a portfolio of approximately 114,119 acres 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 September 30, 2016, the Company owned a 70.9% interest in the Operating Partnership (see “Note 9—Stockholders’ Equity and Non-controlling Interests” for additional discussion regarding Class A common units of limited partnership interest in the Operating Partnership (“OP units”) and Series A preferred units of limited partnership interest in the Operating Partnership (“Preferred 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, (“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 (“TRS”). The TRS was formed to provide volume purchasing services to the Company’s tenants and also to operate a small scale custom farming business. As of September 30, 2016, the TRS performs these custom farming operations on 2,605 acres of farmland owned by the Company and located in Nebraska, Illinois and Mississippi.

Pending Merger

On September 12, 2016, the Company, the Operating Partnership and certain of their respective subsidiaries entered into a definitive agreement and plan of merger (the “AFCO Merger Agreement”) with American Farmland Company (“AFCO”) and American Farmland Company L.P. (“AFCO OP”). Pursuant to the terms of the AFCO Merger Agreement, one of the Company’s wholly owned subsidiaries will merge with and into AFCO OP with AFCO OP surviving as a wholly owned subsidiary of the Operating Partnership (the “Partnership Merger”), and AFCO will merge with and into another one of the Company’s wholly owned subsidiaries with such wholly owned subsidiary surviving (the “Company Merger” and together with the Partnership Merger, the “AFCO Mergers”). The Mergers are expected to close in first quarter of 2017.

At the effective time of the Company Merger, each share of common stock of AFCO, par value \$0.01 per share (“AFCO Common Stock”), issued and outstanding immediately prior to the effective time of the Company Merger (other than any shares of AFCO Common Stock owned by any wholly owned subsidiary of AFCO or by the Company or the Operating Partnership or any wholly owned subsidiary of us or the Operating Partnership), will be automatically converted into the right to receive, subject to certain adjustments, 0.7417 shares of the Company’s common stock (the “Company Merger Consideration”). In addition, in connection with the Company Merger, each outstanding AFCO restricted stock unit that has become fully earned and vested in accordance with its terms will, at the effective time of the Company Merger, be converted into the right to receive the Company Merger Consideration.

At the effective time of the Partnership Merger, each common unit of limited partnership interest in AFCO OP issued and outstanding immediately prior to the effective time of the Partnership Merger, will be converted automatically into the right to

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

receive, subject to certain adjustments, 0.7417 Class A common units of limited partnership interest in our Operating Partnership.

The AFCO Mergers are expected to close in the first quarter of 2017, but the Company can provide no assurances that the AFCO Mergers will close on the anticipated timeline or at all. For more information about the AFCO Mergers, see the Company's Current Report on Form 8-K filed on September 12, 2016 and the Company's Registration Statement on Form S-4 filed on October 3, 2016. We cannot assure you that we will be able to complete the AFCO Mergers on the expected timeline or at all. See "Item 1A Risk Factors" included in this Quarterly Report on Form 10-Q.

Principles of Combination and Consolidation

The accompanying combined consolidated financial statements for the periods ended September 30, 2016 and 2015 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.

Interim Financial Information

The information in the Company's combined consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 is unaudited. The accompanying financial statements for the three and nine months ended September 30, 2016 and 2015 include adjustments based on management's estimates (consisting of normal and recurring accruals), which the Company considers necessary for a fair statement of the results for the periods. The financial information should be read in conjunction with the combined consolidated financial statements for the year ended December 31, 2015, included in the Company's Annual Report on Form 10-K, which the Company filed with the U.S. Securities and Exchange Commission (the "SEC") on March 15, 2016. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of actual operating results for the entire year ending December 31, 2016.

The combined consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

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 may differ from previously estimated amounts, and such differences may be material to our combined consolidated financial statements.

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 and is maintained at a level believed adequate by management to absorb estimated bad debts based on historical experience, when available and current economic conditions. The provision is charged against revenue if the provision is established in the same period as the receivable and corresponding revenue was recognized. If the receivable and corresponding revenue was recorded in a prior period the provision is charged against operating expenses. The allowance for doubtful accounts was \$190,686 and \$78,186 as of September 30, 2016 and December 31, 2015, respectively.

Inventory

The costs of growing crops are accumulated until the time of harvest at the lower of cost or market value and are included in inventory in the 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

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

end of the period. The costs of growing crops incurred by FPI Agribusiness consist primarily of costs related to land preparation, cultivation, irrigation and fertilization. Growing crop inventory is charged to cost of products sold when the related crop is harvested and sold. There were no costs of harvested crop for the quarters ended September 30, 2016 and 2015.

Harvested crop inventory includes costs accumulated during both the growing and harvesting phases. Growing crop inventory includes costs accumulated during the current crop year for crops which have not been harvested. Both harvested and growing crop are stated at the lower of cost 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 brokers' commissions, freight and other marketing costs.

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

As of September 30, 2016 and December 31, 2015, respectively, inventory consisted of the following:

<i>(in thousands)</i>	September 30, 2016	December 31, 2015
Harvested crop	\$ —	\$ 243
Growing crop	378	—
Fertilizer and pesticides	—	6
	<u>\$ 378</u>	<u>\$ 249</u>

New or Revised Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 completes the joint effort by the FASB and International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued (ASU 2016-10), *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"). ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. These ASUs apply to all companies that enter into contracts with customers to transfer goods or services. These ASUs are effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply these ASUs either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying these standards at the date of initial application and not adjusting comparative information. The Company is currently evaluating the requirements of these standards and has not yet determined the impact on the Company's combined consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"), which 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 adoption of ASU 2014-15 is not expected to materially impact our consolidated financial statements.

In February 2015, the FASB issued 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.

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

with early adoption permitted. On January 1, 2016, the Company adopted ASU 2015-02. The guidance does not amend the existing disclosure requirements for variable interest entities (“VIEs”) or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a variable interest entity of the parent company. As the Operating Partnership is already consolidated in the balance sheets of the parent company, the identification of this entity as a variable interest entity has no impact on the combined consolidated financial statements.

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 \$1,009,279 and \$380,970 as of September 30, 2016 and December 31, 2015, respectively. These costs have been classified as a reduction of mortgage notes and bonds payable, net. All periods presented have been retroactively adjusted.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330)*. 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 did not have any debt issuance costs related to a line-of-credit arrangement as of September 30, 2016 and December 31, 2015 and thus, the adoption of ASU 2015-15 did not have an effect on the Company’s combined consolidated financial statement or financial covenants.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustment* (“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. The Company has several business combinations which are still within the measurement period and could result in future adjustments.

In February 2016, the FASB issued ASU No. 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. 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. Topic 842 supersedes the previous leases standard, Topic 840 Leases. The standard is effective on

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January 1, 2019, with early adoption permitted. The Company is currently evaluating the requirements of ASU 2016-02 and has not yet determined its impact on the company's combined consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies the accounting for share-based payment award transactions including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the requirements of ASU 2016-09 and has not yet determined its impact on the Company's combined consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, ("ASU 2016-15"). ASU 2016-15 is intended to reduce diversity in practice across all industries. The amendments in this update provide guidance on the following eight specific cash flow issues: 1) Debt Prepayment or Debt Extinguishment Costs; 2) Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing; 3) Contingent Consideration Payments Made after a Business Combination; 4) Proceeds from the Settlement of Insurance Claims; 5) Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies; 6) Distributions Received from Equity Method Investees; 7) Beneficial Interests in Securitization Transactions; and 8) Separately Identifiable Cash Flows and Application of the Predominance Principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the requirements of ASU 2016-15 and has not yet determined its impact on the Company's combined consolidated financial statements.

Note 2—Revenue Recognition

For the majority of its leases the Company receives at least 50% of the annual lease payment 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. Leases in place as of September 30, 2016 have terms ranging from one to ten years. As of September 30, 2016, the Company had 17 leases with renewal options and six leases with rent escalations. Payments received in advance are included in deferred revenue until they are earned. As of September 30, 2016 and December 31, 2015, the Company had \$ 5,719,533 and \$ 4,853,837, respectively, in deferred revenue. Below market leases totaled \$258,347 and \$229,597 as of September 30, 2016 and December 31, 2015, respectively, with accumulated amortization totaling \$249,794 and \$ 186,512 as of September 30, 2016 and December 31, 2015, respectively.

The following sets forth a summary of rental income recognized for the three and nine months ended September 30, 2016 and 2015:

	Rental income recognized			
	For the three months ended		For the nine months ended	
	September 30,		September 30,	
(in thousands)	2016	2015	2016	2015
Leases in effect at the beginning of the year	\$ 3,098	\$ 1,777	\$ 9,760	\$ 5,364
Leases entered into during the year	3,066	2,270	6,702	3,502
	<u>\$ 6,164</u>	<u>\$ 4,047</u>	<u>\$ 16,462</u>	<u>\$ 8,866</u>

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Future minimum lease payments from tenants under all non-cancelable leases in place as of September 30, 2016, including lease advances, when contractually due, but excluding tenant reimbursement of expenses for the remainder of 2016 and each of the next four years and thereafter as of September 30, 2016 are as follows:

<i>(in thousands)</i>	Future rental payments
Year Ending December 31,	
2016 (remaining three months)	\$ 7,369
2017	19,174
2018	16,539
2019	7,715
2020	1,296
Thereafter	3,138
	<u>\$ 55,231</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.

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. Revenues from the sale of harvested crops totaling \$764,136 and \$0 were recognized during the nine months ended September 30, 2016 and 2015, respectively. 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.

Note 3—Concentration Risk

Credit Risk

For the three and nine months ended September 30, 2016 and 2015, the Company had certain tenant concentrations as presented in the table below. 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 could 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 the Company's significant tenants.

	Rental income recognized				Rental income recognized			
	For the three months ended				For the nine months ended			
	September 30,				September 30,			
<i>(\$ in thousands)</i>	2016		2015		2016		2015	
Hough Farms	\$ 496	8.0 %	\$ 133	3.3 %	\$ 1,482	9.0 %	\$ 390	4.4 %
Justice Family Farms	1,328	21.5 %	1,380	34.1 %	4,154	25.2 %	2,129	24.0 %
Prairieland Farm	382	6.2 %	202	5.0 %	885	5.4 %	605	6.8 %
	<u>\$ 2,206</u>	<u>35.7 %</u>	<u>\$ 1,715</u>	<u>42.4 %</u>	<u>\$ 6,521</u>	<u>39.6 %</u>	<u>\$ 3,124</u>	<u>35.2 %</u>

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Geographic Risk

The following table summarizes the percentage of approximate total acres owned as of September 30, 2016 and 2015 and rental income recorded by the Company for the three and nine months ended September 30, 2016 and 2015 by location of the farms:

Location of Farm	Approximate % of total acres		Rental Income			
	As of September 30,		For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015	2016	2015
Illinois	25.0 %	8.3 %	34.1 %	14.3 %	30.7 %	19.3 %
Colorado	19.0 %	27.9 %	12.9 %	14.3 %	12.8 %	18.8 %
North Carolina	9.7 %	15.6 %	18.5 %	23.5 %	21.7 %	14.0 %
Arkansas	9.1 %	14.6 %	4.7 %	10.0 %	6.2 %	8.8 %
South Carolina	9.0 %	13.9 %	8.5 %	14.8 %	9.2 %	16.2 %
Louisiana	8.2 %	2.8 %	6.2 %	2.6 %	4.4 %	3.5 %
Nebraska	5.1 %	7.9 %	5.9 %	10.0 %	7.0 %	10.9 %
Mississippi	4.3 %	6.0 %	2.7 %	6.9 %	2.6 %	6.0 %
Georgia	3.0 %	— %	2.2 %	— %	2.0 %	— %
Texas	2.4 %	— %	2.0 %	— %	1.7 %	— %
Florida	2.1 %	— %	0.7 %	— %	0.3 %	— %
Kansas	1.6 %	1.0 %	0.8 %	0.5 %	0.6 %	0.7 %
Virginia ⁽¹⁾	1.1 %	1.7 %	— %	2.6 %	— %	1.6 %
Michigan	0.4 %	0.3 %	0.8 %	0.5 %	0.8 %	0.2 %
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

(1) The farm located in Virginia was acquired as part of the Justice 2015 transaction. This farm, in addition to the farms located in North Carolina and South Carolina are all leased to the tenant under the same lease agreement. The majority of the rental income recognized for the current year is related to North Carolina and has been included in the total represented for North Carolina in the table above.

Note 4—Related Party Transactions

As of September 30, 2016 and 2015, 6% and 11%, respectively, of the acres in the Company's farm portfolio were rented to and operated by Astoria Farms or Hough Farms, both of which were related parties prior to December 31, 2015. Astoria Farms is a partnership in which Pittman Hough Farms LLC ("Pittman Hough Farms"), which was previously 75% owned by Mr. Pittman, had a 33.34% interest. The balance of Astoria Farms was held by limited partnerships in which Mr. Pittman previously was the general partner. Hough Farms is a partnership in which Pittman Hough Farms previously had a 25% interest. Effective as of December 31, 2015, Mr. Pittman neither owns any direct or indirect interest in, nor has control of, either Astoria Farms or Hough Farms. The aggregate rent recognized by the Company for these entities for the nine months ended September 30, 2016, and 2015 was \$1,861,106 and \$ 2,035,752 , respectively. The aggregate rent recognized by the Company for these entities for the three months ended September 30, 2016, and 2015 was \$622,025 and \$ 685,005 , respectively.

American Agriculture Corporation ("American Agriculture") is a Colorado corporation that was previously 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 and, therefore, American Agriculture is no longer a related party. The Company reimbursed American Agriculture \$0 and \$20,489 for general and administrative expenses during the nine months ended September 30, 2016 and 2015, respectively, which are included in general and administrative expenses in the combined consolidated statements of operations. The Company reimbursed American Agriculture \$0 and \$1,328 for general and administrative expenses during the three months ended September 30, 2016 and 2015, respectively, which are included in general and administrative expenses in the combined consolidated statements of operations.

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 for business purposes. American Ag Aviation is a Colorado limited liability company that is owned 100% by Mr. Pittman. During the nine months ended September 30, 2016 and 2015, respectively, the Company incurred costs of \$142,719 and \$79,410 which were reimbursable to American Ag Aviation for use of the aircraft in accordance

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with the lease agreement. During the three months ended September 30, 2016 and 2015, respectively, the Company incurred costs of \$46,250 and \$50,460 which were reimbursable to 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 641 acres of farmland owned by the Company located in Nebraska and Illinois. The Company incurred \$53,647 and \$20,289 for the nine months ended September 30, 2016 and 2015, respectively and \$11,839 and \$7,440 for the three months ended September 30, 2016 and 2015, respectively, in custom farming costs which are included in inventory in the combined consolidated balance sheets. As of September 30, 2016 and December 31, 2015, the Company owed Hough Farms \$10,589 and \$11,946, respectively, for fungicide application related costs which are included in accrued expenses in the combined consolidated balance sheets.

Note 5—Real Estate

During the nine months ended September 30, 2016, the Company acquired the following farms:

<i>(\$ in thousands)</i>			Total			
Acquisition / Farm	State	Date acquired	approximate acres	Purchase price	Acquisition costs	Type of acquisition
Knowles	Georgia	1/12/2016	608	\$ 1,202	\$ 2	Asset Acquisition
Borden	Michigan	1/21/2016	265	1,630	—	Business Combination
Reinart Farm	Texas	1/27/2016	2,056	6,117	1	Asset Acquisition
Chenoweth	Illinois	2/26/2016	40	371	—	Asset Acquisition
Forsythe Farms ⁽¹⁾	Illinois	3/2/2016	22,128	197,145	1,321	Asset Acquisition
Knight	Georgia	3/11/2016	208	624	3	Asset Acquisition
Gurga	Illinois	3/24/2016	80	667	—	Asset Acquisition
Condrey	Louisiana	3/31/2016	7,400	31,764	14	Asset Acquisition
Buckelew	Mississippi	4/4/2016	624	2,307	—	Business Combination
Brett	Georgia	4/6/2016	213	577	2	Asset Acquisition
Powell	Georgia	4/6/2016	274	958	3	Asset Acquisition
Unruh	South Carolina	5/12/2016	330	1,528	3	Asset Acquisition
Early	Texas	5/17/2016	640	1,800	—	Business Combination
East Chenoweth	Illinois	6/27/2016	77	697	—	Business Combination
Missel	Colorado	6/29/2016	1,261	1,760	—	Business Combination
Durdan	Illinois	6/30/2016	203	1,905	—	Asset Acquisition
Mullis	Georgia	7/20/2016	266	862	—	Business Combination
Ulrich Feedlot	Colorado	7/27/2016	142	5,524	24	Asset Acquisition
Sabatka	Kansas	7/27/2016	158	325	—	Asset Acquisition
Ironwood	Florida	8/31/2016	2,426	9,497	21	Asset Acquisition
Hooks	Georgia	9/16/2016	445	1,402	—	Asset Acquisition
Tristan Cleer	Illinois	9/29/2016	7	120	—	Asset Acquisition
			39,851	\$ 268,782	\$ 1,394	

- (1) This acquisition closed on March 2, 2016. The purchase price of the property was comprised of (a) \$50.0 million in cash, (b) an aggregate of 2,608,695 OP units valued at \$11.50 per OP unit and (c) 117,000 Preferred units. See "Note 9 – Stockholders' Equity and Non-controlling Interests".

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During the nine months ended September 30, 2015, the Company acquired the following farms:

(\$ in thousands)			Total	Purchase	Acquisition	
Acquisition / Farm	State	Date acquired	approximate acres	price	costs	Type of acquisition
Swarek	Mississippi	1/14/2015	850	\$ 3,512	\$ 6	Asset acquisition
Stonington Bass	Colorado	2/18/2015	997	2,080	1	Business combination
Benda Butler	Nebraska	2/24/2015	73	606	1	Asset acquisition
Benda Polk	Nebraska	2/24/2015	123	861	2	Asset acquisition
Timmerman ⁽¹⁾	Colorado	3/13/2015	315	2,026	—	Asset acquisition
Cypress Bay	South Carolina	3/13/2015	502	2,303	4	Asset acquisition
Nebraska Battle Creek Farms ⁽²⁾	Nebraska	4/10/2015	1,117	9,023	20	Business combination
Northeast Nebraska Farms ⁽³⁾	Nebraska	4/10/2015	1,160	8,981	20	Business combination
Drury	Colorado	4/10/2015	160	950	—	Business combination
Sutter	Colorado	4/17/2015	322	2,000	—	Asset acquisition
Bobcat	Arkansas	4/30/2015	934	3,025	12	Business combination
Swindoll Darby	Mississippi	5/14/2015	359	1,468	2	Asset acquisition
Abraham	Illinois	5/29/2015	110	762	2	Asset acquisition
Justice Farms ⁽⁴⁾	⁽⁵⁾	6/2/2015	14,935	80,913	199	Asset acquisition
Tomasek ⁽⁶⁾	Illinois	6/30/2015	58	690	2	Business combination
Purdy	Arkansas	7/2/2015	1,383	6,168	21	Asset acquisition
Matthews	Mississippi	7/10/2015	1,130	5,576	22	Asset acquisition
Riccioni	Michigan	9/15/2015	181	2,558	14	Asset acquisition
			24,709	\$ 133,502	\$ 328	

- (1) On March 13, 2015, the Company issued 63,581 shares of common stock (with an aggregate 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 an aggregate 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 an aggregate 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 (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.
- (5) The Justice Farms are located in NC, SC, and VA.
- (6) On June 30, 2015, the Company acquired the Tomasek property from Mr. Pittman. The purchase price of the property approximated fair value. In conjunction with the acquisition, the Company assumed a two-year lease with Astoria Farms with annual rents of \$18,749.

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The preliminary allocation of the purchase price for the farms acquired during the nine months ended September 30, 2016 are as follows:

(\$ in thousands)	Land	Groundwater	Irrigation improvements	Permanent plantings & other real estate	Timber	Accounts Receivable	Below Market Lease	Accrued property taxes	Total
Knowles	\$ 795	\$ —	\$ 65	\$ —	\$ 342	\$ —	\$ —	\$ —	\$ 1,202
Borden	779	—	88	763	—	—	—	—	1,630
Reinart Farm	4,188	1,434	495	—	—	—	—	—	6,117
Chenoweth	371	—	—	—	—	—	—	—	371
Forsythe Farms	195,590	—	1,277	357	—	—	—	(79)	197,145
Knight	482	—	142	—	—	—	—	—	624
Gurga	667	—	—	—	—	—	—	—	667
Condrey	30,584	—	557	623	—	—	—	—	31,764
Buckelew	2,321	—	15	—	—	—	(29)	—	2,307
Brett	469	—	108	—	—	—	—	—	577
Powell	756	—	202	—	—	—	—	—	958
Unruh	1,303	—	225	—	—	—	—	—	1,528
Early	925	634	241	—	—	—	—	—	1,800
East Chenoweth	667	—	30	—	—	—	—	—	697
Missel	1,760	—	—	—	—	—	—	—	1,760
Durdan	1,905	—	—	—	—	—	—	—	1,905
Mullis	718	—	144	—	—	—	—	—	862
Ulrich Feedlot	792	3,491	22	1,219	—	—	—	—	5,524
Sabatka	235	41	49	—	—	—	—	—	325
Ironwood	9,295	—	—	202	—	—	—	—	9,497
Hooks	1,330	—	72	—	—	—	—	—	1,402
Tristan Cleer	34	—	—	86	—	—	—	—	120
	<u>\$ 255,966</u>	<u>\$ 5,600</u>	<u>\$ 3,732</u>	<u>\$ 3,250</u>	<u>\$ 342</u>	<u>\$ —</u>	<u>\$ (29)</u>	<u>\$ (79)</u>	<u>\$ 268,782</u>

The allocation of the purchase price for the farms acquired during the nine months ended September 30, 2016 is preliminary and may change during the measurement period if the Company obtains new information regarding the assets acquired or liabilities assumed at the acquisition date.

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The allocation of the purchase price for the farms acquired during the nine months ended September 30, 2015 are as follows:

(\$ in thousands)	Land	Groundwater	Irrigation improvements	Permanent plantings & other real estate	Timber	Accounts Receivable	Below Market Lease	Accrued property taxes	Total
Swarek	\$ 3,471	\$ —	\$ 41	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,512
Stonington Bass	1,995	—	80	5	—	—	—	—	2,080
Benda Butler	607	—	—	—	—	—	—	(1)	606
Benda Polk	862	—	—	—	—	—	—	(1)	861
Timmerman	1,365	626	37	—	—	—	—	(2)	2,026
Cypress Bay	1,959	—	276	68	—	—	—	—	2,303
Nebraska Battle Creek Farms	8,757	—	339	—	—	37	(89)	(21)	9,023
Northeast Nebraska Farms	8,872	—	236	—	—	30	(141)	(16)	8,981
Drury	809	107	34	—	—	—	—	—	950
Sutter	1,301	595	104	—	—	—	—	—	2,000
Bobcat	2,808	—	184	—	—	30	—	3	3,025
Swindoll Darby	1,436	—	33	—	—	—	—	(1)	1,468
Abraham	762	—	—	—	—	—	—	—	762
Justice Farms	80,758	—	96	38	32	—	—	(11)	80,913
Tomasek	681	—	—	—	—	9	—	—	690
Purdy	5,924	—	244	—	—	—	—	—	6,168
Matthews	5,338	—	77	161	—	—	—	—	5,576
Riccioni	905	—	286	1,367	—	—	—	—	2,558
	<u>\$ 128,610</u>	<u>\$ 1,328</u>	<u>\$ 2,067</u>	<u>\$ 1,639</u>	<u>\$ 32</u>	<u>\$ 106</u>	<u>\$ (230)</u>	<u>\$ (50)</u>	<u>\$ 133,502</u>

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 nine months ended September 30, 2016 contributed \$175,653 and \$282,629 to total revenue and \$122,058 and \$189,502 to net income (including related real estate acquisition and due diligence costs of \$0 and \$7,735) for the three and nine months ended September 30, 2016, respectively. The real estate acquired during the nine months ended September 30, 2015 contributed \$284,012 and \$524,811 to total revenue and \$231,681 and \$363,849 to net income (including related real estate acquisition costs of \$0 and \$55,014) for the three and nine months ended September 30, 2015.

During the nine months ended September 30, 2016, the Company accounted for the acquisitions of each of the Borden, Buckelew, Early, East Chenoweth, Missel, and Mullis farms as a business combination. However, as historical results for the farms were not available the Company has not included unaudited pro forma financial information reflecting the pro forma results as if the farm had been acquired on January 1, 2015.

During the nine months ended September 30, 2015, the Company accounted for the acquisitions of each of the Stonington Bass, Battle Creek, Northeast Nebraska, Drury, Bobcat and Tomasek farms as a business combination. However, as historical results for the farm were not available the Company has not included unaudited pro forma financial information reflecting the pro forma results as if the farm had been acquired on January 1, 2014.

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. The Company seeks to make loans that are collateralized by farm real estate and 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

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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.

As of September 30, 2016 and December 31, 2015, the Company had the following notes receivable:

(\$ in thousands)

Loan	Payment Terms	Principal Outstanding as of		Maturity Date
		September 30, 2016	December 31, 2015	
Mortgage Note ⁽¹⁾	Principal & interest due at maturity	\$ 1,800	\$ 1,800	1/15/2017
	Year 1 interest paid at note issuance, with remaining principal & interest due at maturity	980	980	10/30/2017
Term Note ⁽³⁾	Principal & interest due at maturity	-	50	2/2/2016
Total outstanding principal		2,780	2,830	
Points paid, net of direct issuance costs		(6)	(10)	
Interest receivable (net prepaid interest) ⁽²⁾		96	(8)	
Total notes and interest receivable		\$ 2,870	\$ 2,812	

(1) In January 2016, the maturity date of the note was extended to January 15, 2017 with year one 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 note, subject to the borrower satisfying certain requirements.

(2) Includes prepaid interest of \$7,813, net of \$103,600 of accrued interest receivable at September 30, 2016, and prepaid interest of \$60,025, net of \$52,244 of accrued interest receivable at December 31, 2015.

(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 September 30, 2016 and December 31, 2015, the fair value of the notes receivable was \$2,925,756 and \$2,842,145, respectively.

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Notes to Combined Consolidated Financial Statements (Continued)
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Note 7—Mortgage Notes and Bonds Payable

As of September 30, 2016 and December 31, 2015, the Company had the following indebtedness outstanding:

(\$ in thousands)

Loan	Payment Terms	Interest Rate Terms	Annual Interest Rate as of September 30, 2016	Principal Outstanding as of		Maturity Date	Book Value of Collateral as of September 30, 2016
				September 30, 2016	December 31, 2015		
First Midwest Bank A	Annual principal / quarterly interest	Greater of LIBOR + 2.59% or 2.80%	—	\$ —	\$ 650	June 2016	\$ —
First Midwest Bank B	Annual principal / quarterly interest	Greater of LIBOR + 2.59% or 2.80%	—	—	26,000	June 2016	—
Farmer Mac Bond #1	Semi-annual interest only	2.40%	2.40%	20,700	20,700	September 2017	31,612
Farmer Mac Bond #2	Semi-annual interest only	2.35%	2.35%	5,460	5,460	October 2017	8,992
Farmer Mac Bond #3	Semi-annual interest only	2.50%	2.50%	10,680	10,680	November 2017	10,642
Farmer Mac Bond #4	Semi-annual interest only	2.50%	2.50%	13,400	13,400	December 2017	23,531
Farmer Mac Bond #5	Semi-annual interest only	2.56%	2.56%	30,860	30,860	December 2017	52,593
Farmer Mac Bond #6	Semi-annual interest only	3.69%	3.69%	14,915	14,915	April 2025	20,049
Farmer Mac Bond #7	Semi-annual interest only	3.68%	3.68%	11,160	11,160	April 2025	18,156
Farmer Mac Bond #8A	Semi-annual interest only	3.20%	3.20%	41,700	41,700	June 2020	80,807
Farmer Mac Bond #8B	(1)	LIBOR + 1.80%	1.98%	—	5,100	May 2016	—
Farmer Mac Bond #9	Semi-annual interest only	3.35%	3.35%	6,600	6,600	July 2020	9,746
MetLife Term Loan #1	Semi-annual interest only	Greater of LIBOR + 1.75% or 2% adjusted every 3 years	2.59%	90,000	—	March 2026	197,177
MetLife Term Loan #2	Semi-annual interest only	2.66% adjusted every 3 years	2.66%	16,000	—	March 2026	31,736
MetLife Term Loan #3	Semi-annual interest only	2.66% adjusted every 3 years	2.66%	21,000	—	March 2026	25,612
MetLife Term Loan #4	Semi-annual interest only	Greater of LIBOR + 1.75% or 2% adjusted every 3 years	2.59%	15,685	—	June 2026	25,162
Farm Credit of Central Florida	(2)	LIBOR + 2.6875% adjusted every month	3.21%	5,102	—	September 2023	9,497
Total outstanding principal				303,262	187,225		\$ 545,312
Debt issuance costs				(1,009)	(381)		
Unamortized premium				140	230		
Total mortgage notes and bonds payable, net				\$ 302,393	\$ 187,074		

- (1) Bond was 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. This bond was repaid in full in May 2016.
- (2) Loan is an amortizing loan with quarterly interest payments that commence on January 1, 2017 and quarterly principal payments that commence on October 1, 2018, with all remaining principal and outstanding interest due at maturity.
- (3) Proceeds from MetLife Term Loans 1, 2, and 3 were used to repay all amounts outstanding under the Bridge Loan, as further described below.

First Midwest Bank Indebtedness

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. Using proceeds from the MetLife Term Loans, as described below, this indebtedness was paid in full, including accrued interest, on April 14, 2016.

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 and August 3, 2015 (the “Bond Purchase Agreement”), with Federal Agricultural Mortgage Corporation (“Farmer Mac”) and Farmer Mac Mortgage Securities Corporation, a wholly owned

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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 \$165.0 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 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 September 30, 2016 and December 31, 2015, the Operating Partnership had approximately \$155.5 million and approximately \$16.6 million outstanding, respectively, under the Farmer Mac Facility. 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 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 September 30, 2016.

In connection with the Bond Purchase Agreement, on March 1, 2015, the Company and the Operating Partnership also entered into an amended and restated pledge and security agreement (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 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, 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.

Bridge Loan

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 provided 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. During the three and nine months ended September 30, 2016, the Company accrued and paid debt issuance costs on the Bridge Loan totaling \$0 and \$173,907 and interest totaling \$0 and \$2,271,867, of which \$2,120,000, or 4.0%, of the Bridge Loan’s principal amount was considered additional interest paid as discount on issuance. The Bridge Loan was paid in full, including accrued interest, and without prepayment penalty, on March 29, 2016 using proceeds from the MetLife Term Loans, as described below.

MetLife Term Loans

On June 29, 2016, five wholly owned subsidiaries of the Operating Partnership, entered into a loan agreement (the “Second MetLife Loan Agreement”) with Metropolitan Life Insurance Company (“MetLife”) which provides for a loan of approximately \$15.7 million to the Company with a maturity date of June 29, 2026 (“Term Loan 4”). Interest on Term Loan 4 is payable in cash semi-annually and accrues at a floating rate that will be adjusted quarterly to a rate per annum equal to the greater of (a) the three-month LIBOR plus an initial floating rate spread of 1.750%, which may be adjusted by MetLife on each of September 29, December 29, March 29 and June 29 of each year to an interest equal to the greater of (a) the three month LIBOR plus the floating rate spread or (b) 2.00% per annum. Term Loan 4 initially bears interest at a rate of 2.39% per annum until September 29, 2016, and on September 29, 2016 the rate changed to 2.59% per annum. Proceeds from Term Loan 4 were used to acquire additional properties and for general corporate purposes.

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On March 29, 2016, five wholly owned subsidiaries of the Operating Partnership entered into a loan agreement (the “First MetLife Loan Agreement”) and, together with the Second MetLife Loan Agreement, the “MetLife Loan Agreements”) with MetLife, which provides for a total of \$127.0 million of term loans, comprised of (i) a \$90.0 million term loan (“Term Loan 1”), (ii) a \$16.0 million term loan (“Term Loan 2”) and (iii) a \$21.0 million term loan (“Term Loan 3” and, together with Term Loan 1 and Term Loan 2, the “Initial MetLife Term Loans” and, together with Term Loan 4, the “MetLife Term Loans”). The proceeds of the Initial MetLife Term Loans were used to repay existing debt (including amounts outstanding under the Bridge Loan), to acquire additional properties and for general corporate purposes. Each Initial MetLife Term Loan matures on March 29, 2026 and is collateralized by first lien mortgages on certain of the Company’s properties.

Interest on Term Loan 1 is payable in cash semi-annually and accrues at a floating rate that will be adjusted quarterly to a rate per annum equal to the greater of (a) the three-month LIBOR plus an initial floating rate spread of 1.750%, which may be adjusted by MetLife on each of March 29, 2019, March 29, 2022 and March 29, 2025 to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company’s properties securing Term Loan 1 or (b) 2.000% per annum. Term Loan 1 bore interest at a rate of 2.40% per annum until September 29, 2016, and on September 29, 2016 the rate changed to 2.59% per annum. Subject to certain conditions, the Company may at any time during the term of Term Loan 1 elect to have all or any portion of the unpaid balance of Term Loan 1 bear interest at a fixed rate that is initially established by the lender in its sole discretion that may be adjusted from time to time to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company’s properties securing Term Loan 1. On any floating rate adjustment date, the Company may prepay any portion of Term Loan 1 that is not subject to a fixed rate without penalty.

Interest on Term Loan 2 and Term Loan 3 is payable in cash semi-annually and accrues at an initial rate of 2.66% per annum, which may be adjusted by MetLife on each of March 29, 2019, March 29, 2022 and March 29, 2025 to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company’s properties securing Term Loan 2 and Term Loan 3.

Subject to certain conditions, amounts outstanding under Term Loan 2 and Term Loan 3, as well as any amounts outstanding under Term Loan 1 that are subject to a fixed interest rate, may be prepaid without penalty up to 20% of the original principal amounts of such loans per year or in connection with any rate adjustments. Any other prepayments under the Initial MetLife Term Loans generally are subject to a minimum prepayment premium of 1.00%.

In connection with the Initial MetLife Term Loans, on March 29, 2016, the Company and the Operating Partnership each entered into a separate guaranty (the “Initial MetLife Guaranties”) whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers’ obligations under the First MetLife Loan Agreement.

In connection with the Term Loan 4, on June 29, 2016, the Company and the Operating Partnership each entered into a separate guaranty (the “Term Loan 4 Guaranties” and, together with the Initial MetLife Guaranties, the “MetLife Guaranties”) whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers’ obligations under the Second MetLife Loan Agreement.

Each of the MetLife Loan Agreements contains a number of customary affirmative and negative covenants, including the requirement to maintain a loan to value ratio of no greater than 60%. The MetLife Guarantie(s) also contain a number of customary affirmative and negative covenants. The Company was in compliance with all covenants at September 30, 2016.

Each of the MetLife Loan Agreements includes certain customary events of default, including a cross-default provision related to other outstanding indebtedness of the borrowers, the Company and the Operating Partnership, the occurrence of which, after any applicable cure period, would permit MetLife, among other things, to accelerate payment of all amounts outstanding under the MetLife Term Loans and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the Company’s properties that secure the MetLife Term Loans.

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Farm Credit of Central Florida Mortgage Note

On August 31, 2016, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the “Farm Credit Mortgage Note”) with Farm Credit of Central Florida (“Farm Credit”) which provides for a loan of approximately \$8.2 million to the Company with a maturity date of September 1, 2023. As of September 30, 2016 approximately \$5.1 million had been drawn down under this facility. Interest on Farm Credit Mortgage Note is payable in cash quarterly and accrues at a floating rate that will be adjusted monthly to a rate per annum equal to the one-month LIBOR plus 2.6875% provided that the interest rate shall be subject to adjustment on the first day of September, 2016, and on the first day of each month thereafter. Proceeds from Farm Credit Mortgage Note are to be used for the acquisition and development of additional land.

The Farm Credit Mortgage Note contains a number of customary affirmative and negative covenants, as well as a covenant requiring the Company to maintain a debt service coverage ratio of 1.25 to 1.00 beginning on December 31, 2019.

Debt Issuance Costs

Costs incurred by the Company in obtaining debt are deducted from the face amount of mortgage notes and bonds payable. During the three and nine months ended September 30, 2016, \$ 70,673 and \$954,383, respectively, in costs were incurred in conjunction with the MetLife Term Loans (as defined above), the MSD Bridge Loan (as defined above) and the Farm Credit Mortgage Note (as defined above). During the three and nine months ended September 30, 2016, the Company paid \$0 and 4% of the principal amount of the MSD Bridge Loan, or \$2,120,000, respectively, as additional interest in the form of a discount on issuance. Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the respective 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 balance sheet upon maturity or repayment of the underlying debt. The Company wrote off \$6,209 and \$12,300 in deferred financing fees in conjunction with early repayment of debt during the nine months ended September 30, 2016 and 2015, respectively. The Company wrote off \$0 in deferred financing fees in connection with early repayment of debt during the three months ended September 30, 2016 and 2015. Accumulated amortization of deferred financing fees was \$625,499 and \$310,274 as of September 30, 2016 and December 31, 2015, respectively.

Aggregate Maturities

As of September 30, 2016, aggregate maturities of long-term debt for the succeeding years are as follows:

(\$ in thousands)

Year Ending December 31,	Future Maturities
2016 (remaining three months)	\$ —
2017	81,100
2018	69
2019	274
2020	48,574
Thereafter	173,245
	<u>\$ 303,262</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 September 30, 2016 and December 31, 2015, the fair value of the mortgage notes payable was \$ 303,354,711 and \$185,171,599, respectively.

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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.

In April 2015, the Company entered into a lease agreement for office space. The lease expires on July 31, 2019. The lease commenced June 1, 2015 and had an initial monthly payment of \$10,032, which increased to \$10,200 in June of 2016, and increases annually thereafter. As of September 30, 2016, future minimum lease payments are as follows:

<i>(\$ in thousands)</i>		Future rental
Year Ending December 31,		payments
2016 (remaining three months)	\$	31
2017		124
2018		126
2019		74
	\$	<u>355</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, on April 16, 2014. 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 .

On August 31, 2016, the Company entered into a lease agreement in which the Company agreed to convert the Ironwood Farm from its current condition to the maximum number of acres of center-pivot irrigated farmland. As of September 30, 2016, future capital commitments associated with the conversion are as follows:

<i>(\$ in thousands)</i>		Capital
Year Ending December 31,		Commitments
2016 (remaining three months)	\$	1,206
2017		4,098
2018		845
	\$	<u>6,149</u>

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Upon completion of the AFCO Mergers, the properties listed in the table below will become part of the Company's portfolio. We cannot assure you that we will be able to complete the AFCO Mergers on the expected timeline or at all. See "Item 1A Risk Factors" included in this Quarterly Report on Form 10-Q.

(\$ in thousands)

Property	State	Total Approximate acres
Kimberly Vineyard	California	260
Golden Eagle Ranch	California	1,247
Quail Run Vineyard	California	240
Blue Heron Farms	California	430
Falcon Farms	Georgia / Alabama	1,840
Kingfisher Ranch	California	623
Cougar Ranch	California	854
Cheetah Ranch	California	478
Puma Ranch	California	610
Lynx Ranch	California	244
Sweetwater Farm	Florida	1,624
Sandpiper Ranch	California	184
Blue Cypress Farm	Florida	2,694
Pleasant Plains Farm	Illinois	1,196
Macomb Farm	Illinois	434
Tillar Farm	Arkansas	1,444
Kane County Farms	Illinois	1,652
Roadrunner Ranch	California	244
Condor Ranch	California	786
Grassy Island Groves	Florida	623
Pintail Vineyards	California	91
		<u>17,798</u>

As of September 30, 2016, the Company had the properties listed in the table below under contract (other than the AFCO properties). The Taubeneck farm acquisition closed on November 2, 2016 and the Boys farm acquisition is expected to close in the fourth quarter of 2016. The initial accounting for these acquisitions is not yet complete, making certain disclosures related to purchase price allocation unavailable at this time.

Farm Name	State	Total approximate acres	Purchase price
Boys ⁽¹⁾	AR	1,122	\$ 4,099
Taubeneck	IL	95	562
		<u>1,217</u>	<u>\$ 4,661</u>

(1) The consideration to be paid for the Boys Farm consists of \$3.3 million in cash and 69,961 OP units valued \$11.79 per OP unit.

Note 9—Stockholders' Equity and Non-controlling Interests

Non-controlling Interests in Operating Partnership

The Company consolidates its Operating Partnership. As of September 30, 2016 and December 31, 2015, respectively, the Company owned a 70.9% and 74.1%, interest in the Operating Partnership, and the remaining 29.1% and 25.9% interest, respectively, is included in non-controlling interest in Operating Partnership on the combined consolidated balance sheets. This non-controlling interest in the Operating Partnership is held in the form of OP units and Preferred units.

On or after 12 months of becoming a holder of OP units, unless the terms of an agreement with such OP unit holder dictate otherwise, each limited partner, other than the Company, has the right, subject to the terms and conditions set forth in the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended (the "Partnership Agreements"), to tender for redemption all or a portion of such units in exchange for cash, or in the Company's sole discretion,

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for shares of the Company's common stock on a one-for-one basis. If cash is paid in satisfaction of a redemption request, the amount will be equal to the number of tendered units multiplied by the fair market value of a share of the Company's common stock on the date of the redemption notice (determined in accordance with, and subject to adjustment under, the terms of the Partnership Agreement). Any redemption request must be satisfied by the Company on or before the close of business on the tenth business day after the Company receives a notice of redemption. On March 31, 2016 the Company issued 427,900 shares of common stock in exchange for 427,900 OP units that had been tendered for redemption. On July 22, 2016, the Company issued 681,222 shares of common stock in exchange for 681,222 OP units that had been tendered for redemption. There were 3,068,174 and 1,945,000 outstanding OP units eligible to be tendered for redemption as of September 30, 2016 and December 31, 2015, respectively.

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

The Operating Partnership intends to continue 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 Company's common stock offerings in July 2014 and July 2015, the ATM Program (as defined below), 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. During the first nine months of 2016 the Company decreased the non-controlling interest in the Operating Partnership and increased additional paid in capital by \$4.3 million. During the period ended September 30, 2015, the Company decreased the non-controlling interest in the Operating Partnership and increased additional paid in capital by \$0.8 million.

Redeemable Non-controlling Interests in Operating Partnership, Class A Common Units

On June 2, 2015, the Company issued 1,993,709 OP units in conjunction with an asset acquisition. Beginning on June 2, 2016, the OP units became eligible to be tendered for redemption for cash, or at the Company's option, for shares of common stock on a one for one basis. In connection with its annual meeting of stockholders held on May 25, 2016, the Company obtained stockholder approval to issue shares of its common stock upon the redemption of 883,724 of the OP units (the "Excess Units"). Prior to such stockholder approval, the Company would have been required to redeem the Excess Units for cash. As the tender for redemption of the Excess Units for shares of common stock was outside of the control of the Company until May 25, 2016, these units were accounted for as mezzanine equity on the combined consolidated balance sheets as of December 31, 2015. After the redemption became within the control of the Company these excess units formed part of the non-controlling interests in the Operating Partnership. The Company elected to accrete the change in redemption value of the Excess Units subsequent to issuance and during the respective 12-month holding period, after which point the units were marked to redemption value at each reporting period.

Redeemable Non-controlling Interests in Operating Partnership, Preferred Units

On March 2, 2016, the sole general partner of the Operating Partnership entered into Amendment No.1 (the "Amendment") to the Partnership Agreement in order to provide for the issuance, and the designation of the terms and conditions, of the

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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. The cash distributions are accrued ratably over the year and credited to redeemable non-controlling interest in operating partnership, preferred units on the balance sheet with the offset recorded to additional paid in capital. On March 2, 2016, 117,000 Preferred units were issued as partial consideration in the Forsythe farm acquisition (See “Note 5—Real Estate”). Upon any voluntary or involuntary liquidation or dissolution, the Preferred units are entitled to a priority distribution ahead of OP units in an amount equal to the liquidation preference plus an amount equal to all distributions accumulated and unpaid to the date of such cash distribution. Total liquidation value of such preferred units as of September 30, 2016 was \$119,057,250 including accrued distributions.

On or after March 2, 2026, the tenth anniversary of the closing of the Forsythe acquisition (the “Conversion Right Date”), holders of the Preferred units have the right to convert each Preferred unit into a number of OP units equal to (i) the \$1,000 liquidation preference plus all accrued 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 Forsythe 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.

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.

The Preferred units are accounted for as mezzanine equity on the combined consolidated balance sheet as the units are convertible and redeemable for shares at a fixed and determinable price and date at the option of the holder and upon the occurrence of an event not solely within the control of the Company.

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The following table summarizes the changes in the Company's redeemable non-controlling interest in the Operating Partnership for the nine months ended September 30, 2016 and 2015:

	Common		Preferred	
	Redeemable OP units	Redeemable non-controlling interests	Redeemable Preferred units	Redeemable non-controlling interests
<i>(\$ in thousands)</i>				
Balance at December 31, 2014	—	\$ —	—	\$ —
Issuance of redeemable OP units as partial consideration for real estate acquisition	884	9,694	—	—
Net income attributable to non-controlling interest	—	53	—	—
Accrued distributions to non-controlling interest	—	(225)	—	—
Adjustments to arrive at fair value of redeemable non-controlling interest	—	36	—	—
Balance at September 30, 2015	884	\$ 9,558	—	\$ —
Balance at December 31, 2015	884	\$ 9,695	—	\$ —
Issuance of redeemable OP units as partial consideration for real estate acquisition	—	—	117	117,000
Net loss attributable to non-controlling interest	—	(64)	—	—
Accrued distributions to non-controlling interest	—	(113)	—	2,057
Redemption of OP units for common stock	(884)	(9,518)	—	—
Balance at September 30, 2016	—	\$ —	117	\$ 119,057

Distributions

The Company's board of directors declared and paid the following distributions to common stockholders and holders of OP units for the nine months ended September 30, 2016 and the year ended December 31, 2015:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distributions per Common Share/OP unit
2016	March 8, 2016	April 1, 2016	April 15, 2016	\$ 0.1275
	May 9, 2016	July 1, 2016	July 15, 2016	0.1275
	August 3, 2016	September 30, 2016	October 14, 2016	0.1275
				\$ 0.3825
2015	February 25, 2015	April 1, 2015	April 15, 2015	\$ 0.1160
	June 2, 2015	July 1, 2015	July 15, 2015	0.1275
	August 12, 2015	October 1, 2015	October 15, 2015	0.1275
	November 20, 2015	January 4, 2016	January 15, 2016	0.1275
				\$ 0.4985

Additionally, in connection with the 3.00% cumulative preferential distribution on the Preferred units, the Company has accrued \$2,057,250 in distributions payable as of September 30, 2016. The distributions are payable annually in arrears on January 15 of each year.

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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 qualified dividends, capital gains or return of capital.

Stock Repurchase Plan

On October 29, 2014, the Company announced that its 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 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 nine months ended September 30, 2016.

Equity Incentive Plan

On May 5, 2015, the Company's stockholders approved the amendment and restatement of 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 342,481 shares of restricted common stock that have been 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). As of September 30, 2016, there were 285,933 of shares available for future grant under the Plan.

The Company may issue equity-based awards to officers, non-employee directors, employees, independent contractors and other eligible persons under the Plan. The 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 terms of each grant are determined by the compensation committee of the Board of Directors.

From time to time, the Company may award restricted shares of its common stock under the Plan, as compensation to officers, employees, non-employee directors and non-employee consultants. The shares of restricted stock vest over a period of time as determined by the compensation committee of the Company's board of directors at the date of grant. The Company recognizes compensation expense for awards issued to officers, employees and non-employee directors for restricted shares of common stock 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.

A summary of the nonvested shares as of September 30, 2016 is as follows:

<i>(shares in thousands)</i>	Number of shares	Weighted average grant date fair value
Nonvested at December 31, 2015	145	\$ 13.87
Granted	119	10.78
Vested	(70)	13.96
Forfeited	(5)	11.09
Nonvested at September 30, 2016	189	\$ 11.97

For the nine months ended September 30, 2016 and 2015, the Company recognized \$889,114 and \$708,703, respectively, of stock-based compensation expense related to these restricted stock awards. For the three months ended September 30, 2016 and 2015 the company recognized \$332,765 and \$228,508, respectively, of stock-based compensation expense related to these restricted stock awards. As of September 30, 2016 and December 31, 2015, there were \$1,480,089 and \$ 1,246,683 ,

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

respectively, of total unrecognized compensation costs related to nonvested stock awards, which are expected to be recognized over weighted-average periods of 2.1 years and 1.3 years, respectively. The change in fair value of the shares issued to non-employees to be issued upon vesting is remeasured at the end of 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 nonvested shares, the Company recorded an increase in stock based compensation of \$119,817 for the nine months ended September 30, 2016 and a \$31,739 decrease for the nine months ended September 30, 2015.

At-the-Market Offering Program (the "ATM Program")

On September 15, 2015, the Company entered into equity distribution agreements under which the Company may issue and sell from time to time, through sales agents, shares of its common stock having an aggregate gross sales price of \$25 million. During the nine months ended September 30, 2016, the Company had sold an aggregate of 844,207 shares of its common stock for aggregate gross proceeds, net of fees, of approximately \$9,337,501 at a weighted average price per share of \$11.06 through the ATM Program.

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 a securities 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 offering is abandoned. The Company incurred \$ 86,468 and \$756,970 in offering costs during the nine months ended September 30, 2016 and 2015, respectively. During the three months ended September 30, 2016, \$103,795 of deferred offering costs related to the ATM program were offset against the proceeds from the issuance of shares under the program. As of September 30, 2016 and December 31, 2015, the Company had \$ 249,926 and \$267, 253 respectively in deferred offering costs related to regulatory, legal, accounting and professional service costs associated with proposed or completed offerings of securities.

Earnings (Loss) per Share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
<i>(in thousands except per share amounts)</i>				
Numerator:				
Net income (loss) attributable to Farmland Partners Inc.	\$ 70	\$ 624	\$ (412)	\$ 575
Less: Nonforfeitable distributions allocated to unvested restricted shares	(24)	(19)	(72)	(62)
Less: Distributions on redeemable non-controlling interests in Operating Partnership, common	—	(113)	(113)	(226)
Less: Distributions on redeemable non-controlling interests in Operating Partnership, preferred	(887)	—	(2,057)	—
Net (loss) income attributable to common stockholders	<u>\$ (841)</u>	<u>\$ 492</u>	<u>\$ (2,654)</u>	<u>\$ 287</u>
Denominator:				
Weighted-average number of common shares - basic	13,683	11,154	12,663	8,872
Conversion of preferred units ⁽¹⁾	—	—	—	—
Unvested restricted shares ⁽²⁾	—	4	—	10
Redeemable non-controlling interest ⁽¹⁾	—	—	—	—
Weighted-average number of common shares - diluted	<u>13,683</u>	<u>11,158</u>	<u>12,663</u>	<u>8,882</u>
(Loss) earnings per share attributable to common stockholders - basic and diluted	\$ (0.06)	\$ 0.04	\$ (0.21)	\$ 0.03

(1) Anti-dilutive for the three and nine months ended September 30, 2016 and 2015.

(2) Anti-dilutive for the three and nine months ended September 30, 2016.

Farmland Partners Inc.
Notes to Combined Consolidated Financial Statements (Continued)
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Unvested shares of the Company's restricted common stock are, and until May 26, 2016, the Excess Units were, considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per share. On May 25, 2016, the Company obtained stockholder approval allowing the Company to issue shares of common stock upon the redemption of the Excess Units, which allowed the Company to remove the Excess Units from the mezzanine section of the combined consolidated balance sheets. As such, as of September 30, 2016, the Company no longer has any OP units included as redeemable non-controlling interests outstanding in the mezzanine section of the combined consolidated balance sheets.

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 5,839,770 and 3,293,572 for the three months ended September 30, 2016 and 2015, respectively. The weighted average number of OP units held by the non-controlling interest was 5,264,991 and 2,584,098 for the nine months ended September 30, 2016 and 2015, respectively. The weighted average number of Excess Units held by the non-controlling interest was 0 and 470,889 for the three and nine months ended September 30, 2016. There were 883,724 and 388,450 in weighted average Excess units of non-controlling interest held for the three and nine months ended September 30, 2015.

The outstanding Preferred units are non-participating securities and thus are included in the computation of diluted earnings per share on an as-if converted basis. Any anti-dilutive shares are excluded from the diluted earnings per share calculation. During the first nine months of 2016, these shares were not included in the diluted earnings per share calculation as they would be anti-dilutive.

For the three and nine months ended September 30, 2016, diluted weighted average common shares do not include the impact of 188,427 unvested compensation-related shares. For the three and nine months ended September 30, 2015, diluted weighted average common shares do not include the impact of 142,729 and 137,059, respectively, unvested compensation-related shares. The effect of these items on diluted earnings per share would be anti-dilutive.

The following equity awards and units are outstanding as of September 30, 2016 and December 31, 2015, respectively.

	September 30, 2016	December 31, 2015
Shares	13,857,360	11,833,675
OP Units	5,676,869	3,293,572
Redeemable OP Units	—	883,724
Unvested RSAs	188,427	145,000
	<u>19,722,656</u>	<u>16,155,971</u>

Farmland Partners Inc.
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Note 10—Subsequent Events

See “Note 8—Commitments and Contingencies” for deposits for real estate acquisitions that occurred subsequent to September 30, 2016.

On October 26, 2016, a purported class action lawsuit was filed in the Circuit Court for Baltimore County, Maryland against AFCO, seeking to represent a proposed class of all AFCO stockholders captioned *Parshall v. American Farmland Company et. al.*, Case No. 24C16005745. The complaint names as defendants AFCO, the members of AFCO’s board of directors, AFCO OP, the Company, the Operating Partnership, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP and FPI Heartland GP LLC. The complaint alleges that the AFCO directors breached their duties to AFCO in connection with the evaluation and approval of the AFCO Mergers. In addition, the complaint alleges, among other things, that AFCO, AFCO OP, the Company, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP and FPI Heartland GP LLC aided and abetted those breaches of duties. The complaint seeks equitable relief, including a potential injunction against the AFCO Merger. The deadline for an answer or other responsive pleading by the defendants has not yet passed. We believe the allegations in the complaint are without merit and intend to defend against those allegations.

On November 2, 2016 the Company closed on the following acquisition for the below cash consideration:

(\$ in thousands)		Total	
Farm Name	State	approximate acres	Purchase Price
Taubeneck	IL	95	\$ 562
		95	\$ 562

On November 2, 2016, the Company’s board of directors declared a distribution of \$0.1275 per share of common stock and OP unit payable on January 13, 2016 to holders of record as of January 2, 2016.

Item 2. 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 combined consolidated financial statements and the notes included elsewhere in this Quarterly Report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities Exchange Commission ("SEC") on March 15, 2016, which is accessible on the SEC's website at www.sec.gov. 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.

Special Note Regarding Forward-Looking Statements

We make statements in this Quarterly Report on Form 10-Q 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 our proposed acquisition of American Farmland Company, 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 described in Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2015 and in other documents that we file from time to time with 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.

Overview and Background

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 Quarterly 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. Upon completion of pending transactions, our farmland portfolio will be comprised of approximately 75% primary crop farmland and 25% specialty crop farmland by value, 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 September 30, 2016 we own a 70.9% interest in the limited partnership interest in the Operating Partnership. See Note 9 to our combined consolidated financial statements for additional information regarding the non-controlling interests.

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

Recent Developments

Pending Merger with American Farmland Company

On September 12, 2016, we and certain of our respective subsidiaries entered into a definitive agreement and plan of merger (the “AFCO Merger Agreement”) with American Farmland Company (“AFCO”) and American Farmland Company L.P. (“AFCO OP”). Pursuant to the terms of the Merger Agreement, one of the Company’s wholly owned subsidiaries will merge with and into AFCO OP with AFCO OP surviving as a subsidiary of the Operating Partnership (the “Partnership Merger”), and AFCO will merge with and into another one of our wholly owned subsidiaries with our subsidiary surviving (the “Company Merger” and together with the Partnership Merger, the “AFCO Mergers”). The AFCO Mergers are expected to close in the first quarter of 2017.

At the effective time of the Company Merger, each share of common stock of AFCO, par value \$0.01 per share (“AFCO Common Stock”), issued and outstanding immediately prior to the effective time of the Company Merger (other than any shares of AFCO Common Stock owned by any wholly owned subsidiary of AFCO or by us or the Operating Partnership or any wholly owned subsidiary of us or the Operating Partnership), will be automatically converted into the right to receive, subject to certain adjustments, 0.7417 shares of our common stock (the “Company Merger Consideration”). In addition, in connection with the Company Merger, each outstanding AFCO restricted stock unit that has become fully earned and vested in accordance with its terms will, at the effective time of the Company Merger, be converted into the right to receive the Company Merger Consideration.

At the effective time of the Partnership Merger, each common unit of limited partnership interest in AFCO OP issued and outstanding immediately prior to the effective time of the Partnership Merger, will be converted automatically into the right to receive, subject to certain adjustments, 0.7417 OP units.

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Upon completion of the AFCO Mergers, we will own the AFCO properties listed in the table below, and our portfolio will then consist of approximately 75% row crop farmland and 25% specialty crop farmland.

(\$ in thousands)

Property	State	Total Approximate acres
Kimberly Vineyard	California	260
Golden Eagle Ranch	California	1,247
Quail Run Vineyard	California	240
Blue Heron Farms	California	430
Falcon Farms	Georgia / Alabama	1,840
Kingfisher Ranch	California	623
Cougar Ranch	California	854
Cheetah Ranch	California	478
Puma Ranch	California	610
Lynx Ranch	California	244
Sweetwater Farm	Florida	1,624
Sandpiper Ranch	California	184
Blue Cypress Farm	Florida	2,694
Pleasant Plains Farm	Illinois	1,196
Macomb Farm	Illinois	434
Tillar Farm	Arkansas	1,444
Kane County Farms	Illinois	1,652
Roadrunner Ranch	California	244
Condor Ranch	California	786
Grassy Island Groves	Florida	623
Pintail Vineyards	California	91
		17,798

We cannot assure you that we will be able to complete the AFCO Mergers on the expected timeline or at all. See “Item 1A Risk Factors” included in this Quarterly Report on Form 10-Q.

Completed Acquisitions

Since December 31, 2015, we have completed the following 22 acquisitions, all of which were settled for cash with the exception of the Forsythe Farms acquisition.

(in thousands except acres)

Acquisitions	State	Date acquired	Total Approximate acres	Purchase price
Knowles	Georgia	1/12/2016	608	\$ 1,202
Borden	Michigan	1/21/2016	265	1,630
Reinart Farm	Texas	1/27/2016	2,056	6,117
Chenoweth	Illinois	2/26/2016	40	371
Forsythe Farms ⁽¹⁾	Illinois	3/2/2016	22,128	197,145
Knight	Georgia	3/11/2016	208	624
Gurga	Illinois	3/24/2016	80	667
Condrey	Louisiana	3/31/2016	7,400	31,764
Buckelew	Mississippi	4/4/2016	624	2,307
Brett	Georgia	4/6/2016	213	577
Powell	Georgia	4/6/2016	274	958
Unruh	South Carolina	5/12/2016	330	1,528
Early	Texas	5/17/2016	640	1,800
East Chenoweth	Illinois	6/27/2016	77	697
Missel	Colorado	6/29/2016	1,261	1,760
Durdan	Illinois	6/30/2016	203	1,905
Mullis	Georgia	7/20/2016	266	862
Ulrich Feedlot	Colorado	7/27/2016	142	5,524
Sabatka	Kansas	7/27/2016	158	325
Ironwood	Florida	8/31/2016	2,426	9,497
Hooks	Georgia	9/16/2016	445	1,402
Tristan Cleer	Illinois	9/29/2016	7	120
			39,851	\$ 268,782

(1) The purchase price of the property was comprised of (a) \$50.0 million in cash, (b) an aggregate of 2,608,695 OP units, valued at \$11.50 per OP unit and (c) 117,000 Preferred units. See “Note 9—Stockholders’ Equity and Non-controlling Interests”.

Properties under Contract

As of September 30, 2016, we have entered into purchase agreements with unrelated third parties to acquire the following farms, all of which are to be settled for cash with the exception of the Boys farm, which will be settled with a combination of cash and OP units:

(in thousands except acres)

Acquisitions	State	Total approximate acres	Purchase price
Boys ⁽¹⁾	AR	1,122	\$ 4,099
Taubeneck	IL	95	562
		1,217	\$ 4,661

(1) The consideration for the Boys Farm consists of \$3.3 million in cash and 69,961 in OP units valued at the share price of \$11.79 on the date of the contract.

The Taubeneck farm acquisition closed on November 2, 2016. The Boys farm acquisition is expected to close in the fourth quarter 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.

As of September 30, 2016, we owned approximately 114,119 acres. The distribution of farms by state is as follows:

Location of Farm	Total Acres
Illinois	28,526
Colorado	21,680
North Carolina	11,086
Arkansas	10,415
South Carolina	10,255
Louisiana	9,373
Nebraska	5,860
Mississippi	4,927
Georgia	3,381
Texas	2,696
Florida	2,426
Kansas	1,804
Virginia	1,244
Michigan	446
	114,119

We intend to continue to acquire additional farmland to achieve scale and further diversify our portfolio by geography, crop type and tenants. 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 of acres (approximately 2,605 acres as of September 30, 2016) relying on custom farming contracts with local farm operators. Additionally, the TRS operates a volume purchasing program for participating tenants by working with suppliers to pool tenant purchasing power and create cost savings through bulk orders.

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 Quarterly 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.

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, 2015 and 2016, 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 484 million tons of grain produced in the United States in 2015. 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 lower 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 of our fixed cash

leases, as compared to 2015, 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.

On September 21, 2016, two of our wholly owned subsidiaries filed a claim in the Circuit Court of Yell County, Arkansas Division III relating to past due 2016 rent from a defaulting tenant. The total rent past due is approximately \$680,000. If we are unable to recover the past due rent, it could have an impact on our results of operations.

Lease Expirations

Farm leases are generally short-term in nature. Our portfolio, as of September 30, 2016, had the following lease expirations as a percentage of approximate acres leased and annual minimum cash rents:

(\$ in thousands)

Year Ending December 31,	Approximate Acres	% of Approximate Acres	Annual Cash Rents	% of Annual Cash Rents
2016 (remaining three months)	34,550	30.3 %	\$ 3,868	16.3 %
2017	21,107	18.5 %	3,080	13.0 %
2018	31,421	27.5 %	9,103	38.3 %
2019	21,458	18.8 %	6,401	26.9 %
2020	2,244	2.0 %	603	2.5 %
2021 and beyond	3,339	2.9 %	707	3.0 %
	<u>114,119</u>	<u>100.0 %</u>	<u>\$ 23,762</u>	<u>100.0 %</u>

As of September 30, 2016, we have 16,408 acres for which lease payments are based on a percentage of farming revenues and 2,605 acres that are leased to our taxable REIT subsidiary, which are not included in the table above. From time to time, we may enter into recreational leases on our farms. We currently have eight ancillary lease agreements with terms ranging from one to five years. These leases are not included in the annual minimum cash rents within the above table. We expect market rents in the coming year to be flat or modestly lower. Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future lease expirations during the initial lease term only.

Rental Revenues

The substantial majority of our revenues are generated from renting farmland to operators of farming businesses. Our leases have terms ranging from one to five years with the exception of two leases that have ten-year terms. 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 in certain instances 100%) of the annual rent in advance of each spring planting season. As a result, we collect a large portion of total annual rents in the first calendar quarter of each year, for those leases that are paid 50% in the first calendar quarter the remainder is largely collected in the last 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.

Pending AFCO Mergers

The AFCO Mergers involve the combination of two companies that currently operate as independent public companies. The combined company (the "Combined Company") is expected to benefit from the elimination of duplicative costs associated with supporting the Combined Company's public company platform and resulting economies of scale. These savings are expected to be realized upon full integration, which is expected to occur in 2017. Potential difficulties the Combined Company may encounter in the integration process include the following:

- the inability to achieve the cost savings anticipated to result from the Mergers, which would result in the anticipated benefits of the Mergers not being realized in the timeframe currently anticipated or at all;
- the complexities of combining two companies with different geographic footprint, crop focus and tenant bases; and
- potential unknown liabilities and unforeseen increased expenses, delays or conditions associated with the Mergers.

The Combined Company expects to incur substantial expenses in connection with completing the AFCO Mergers and integrating the business, operations, networks, systems, policies and procedures of the two companies. Although we and AFCO have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of their integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the AFCO Mergers could, particularly in the near term, exceed the savings that the Combined Company expects to achieve following the completion of the AFCO Mergers.

We expect that our overall operating performance following the AFCO Mergers will improve due to additional revenue sources, a reduction in overhead costs incurred by the standalone companies and a more diversified agricultural portfolio. While our business model anticipates that this will occur there can be no guarantee that these improved results will occur to the extent that we anticipate or at all. See "Item 1A Risk Factors" included in this Quarterly Report for more information regarding the risks related to the AFCO Mergers.

Critical Accounting Policies and Estimates

Except as set forth in Note 1 to the combined consolidated financial statements included in this Quarterly Report on Form 10-Q, there have been no changes to our critical accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

New or Revised Accounting Standards

For a summary of the new or revised accounting standards please refer to “Note 1 – Organization and Significant Accounting Policies” within the notes to the combined consolidated financial statements included in this Quarterly Report on Form 10-Q.

Results of Operations

Comparison of the three months ended September 30, 2016 to the three months ended September 30, 2015

	For the three months ended September 30,			
(\$ in thousands)	2016	2015	\$ Change	% Change
OPERATING REVENUES:				
Rental income	\$ 6,164	\$ 4,047	\$ 2,117	52 %
Tenant reimbursements	112	104	8	8 %
Other revenue	670	18	652	3,622 %
Total operating revenues	6,946	4,169	2,777	67 %
OPERATING EXPENSES				
Depreciation and depletion	419	237	182	77 %
Property operating expenses	548	338	210	62 %
Acquisition and due diligence costs	1,712	112	1,600	1,429 %
General and administrative expenses	1,587	1,112	475	43 %
Legal and accounting	330	216	114	53 %
Other operating expenses	160	—	160	NM
Total operating expenses	4,756	2,015	2,741	136 %
OPERATING INCOME	2,190	2,154	36	2 %
OTHER (INCOME) EXPENSE:				
Other income	(72)	(98)	26	(27)%
Interest expense	2,065	1,390	675	49 %
Total other expense	1,993	1,292	701	54 %
Net income before income tax expense	197	862	(665)	(77)%
Income tax expense	97	4	93	2,325 %
NET INCOME	\$ 100	\$ 858	\$ (758)	(88)%
NM=Not Meaningful				

Our rental income for the period presented was impacted by the eight acquisitions completed in the fourth quarter of 2015 and the 22 acquisitions completed in the first three quarters of 2016. 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 87 farms on 64,602 acres.

Total rental income under leases for the same-property portfolio increased to \$3.6 million for the three months ended September 30, 2016, from \$3.5 million for the three months ended September 30, 2015, as a result of average annual rent for the same-property portfolio increasing year over year to \$143 per acre in the third quarter of 2016 from \$139 in the comparative three-month period ended September 30, 2015.

Total rental income increased \$2.1 million, or 52%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily resulting from the completion of 30 acquisitions after September 30, 2015. For the three months ended September 30, 2016, the average annual cash rent for the entire portfolio declined to \$196 per acre from \$216 per acre for the same period in 2015.

Other revenue increased \$0.7 million, or 3,622%, for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015 related to \$0.6 million realized on crop sales from our TRS's farming operation and \$0.1 million in other miscellaneous revenue.

Depreciation and depletion expense increased \$0.2 million, or 77%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, as a result of acquiring or constructing approximately \$1.4 million in depreciable assets additions in the last quarter of 2015 and an additional \$16.7 million depreciable assets additions during the first three quarters of 2016.

Property operating expenses increased \$0.2 million, or 62%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily related to property taxes attributable to properties acquired since September 30, 2015.

Acquisition and due diligence costs totaled \$1.7 million for the three months ended September 30, 2016 as compared to \$0.1 million recognized in the same period of the prior year. The acquisition and due diligence costs recognized in the three months ended September 30, 2016 primarily consisted of \$1.6 million of costs related to the AFCO Mergers.

General and administrative expenses increased \$0.5 million, or 43%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015. The increase in general and administrative expenses was largely a result of increased costs related to our continued growth. During the three months ended September 30, 2016, employee compensation expenses increased \$0.5 million, as compared with the same period in 2015, due to an increase in the number of employees from 12 as of September 30, 2015 to 15 as of September 30, 2016 and our new employee benefits program which was not in place as of September 30, 2015.

Legal and accounting expenses increased \$0.1 million, or 53%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily as a result of increased costs related to transactions, the continued growth of our portfolio and general corporate matters.

Other operating expenses totaling \$0.2 million during the three months ended September 30, 2016 is related to cost of crop sales on the \$0.6 million of revenue recognized on crop sales from our TRS's farming operations. There were no crop sales or related cost of sales recorded during the three months ended September 30, 2015.

Interest expense increased \$0.7 million, or 49%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015 as the result of an increase in our outstanding borrowings from \$190 million as of September 30, 2015 to \$303 million as of September 30, 2016. The increase in our total borrowings was primarily driven by the use of debt financing in acquiring new properties. These interest expense increases were partially offset by the amortization of a premium on our debt of \$0.03 million during the three months ended September 30, 2016.

Income tax expense increased \$0.1 million for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015 as the result of an increase in net income associated with the TRS for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015.

Comparison of the nine months ended September 30, 2016 to the nine months ended September 30, 2015

	For the Nine Months Ended September 30,			
(\$ in thousands)	2016	2015	\$ Change	% Change
OPERATING REVENUES:				
Rental income	\$ 16,462	\$ 8,866	\$ 7,596	86 %
Tenant reimbursements	276	273	3	1 %
Other revenue	931	18	913	5,072 %
Total operating revenues	17,669	9,157	8,512	93 %
OPERATING EXPENSES				
Depreciation and depletion	1,102	613	489	80 %
Property operating expenses	1,529	798	731	92 %
Acquisition and due diligence costs	1,818	179	1,639	916 %
General and administrative expenses	4,770	2,976	1,794	60 %
Legal and accounting	882	647	235	36 %
Other operating expenses	248	—	248	NM
Total operating expenses	10,349	5,213	5,136	99 %
OPERATING INCOME	7,320	3,944	3,376	86 %
OTHER (INCOME) EXPENSE:				
Other income	(133)	(98)	(35)	36 %
Interest expense	7,869	3,232	4,637	143 %
Total other expense	7,736	3,134	4,602	147 %
Net (loss) income before income tax expense	(416)	810	(1,226)	(151)%
Income tax expense	97	4	93	2,325 %
NET (LOSS) INCOME	\$ (513)	\$ 806	\$ (1,319)	(164)%
NM=Not Meaningful				

Our rental income for the period presented was impacted by the eight acquisitions completed in the fourth quarter of 2015 and the 22 acquisitions completed in the first three quarters of 2016. 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 72 farms on 42,587 acres.

Total rental income under cash leases for the same-property portfolio increased to \$5.9 million for the nine months ended September 30, 2016, from \$5.5 million for the nine months ended September 30, 2015, as a result of average annual rent for the same-property portfolio increasing year over year to \$187 per acre in the third quarter of 2016 from \$182 in the comparative period in 2015.

Total rental income increased \$7.6 million, or 86%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily resulting from the completion of 30 acquisitions after September 30, 2015. For the nine months ended September 30, 2016, the average annual cash rent for the entire portfolio decreased to \$196 per acre from \$216 per acre for the same period in 2015.

Other revenues totaled \$0.9 million during the nine months ended September 30, 2016, compared to \$18,000 recognized in the same period in 2015. The income recognized in the first nine months of 2016 consisted of \$0.8 million realized on crop sales from our TRS's farming operation, in addition to \$0.1 million earned on interest and amortization of net loan fees from loans outstanding under the FPI Loan Program. The TRS was formed in March 2015 with the sales recognized in the first quarter of 2016 representing the first revenues generated by the entity. The FPI Loan Program was launched in August 2015 and has mortgage notes receivable totaling \$2.9 million as of September 30, 2016.

Depreciation and depletion expense increased \$0.5 million, or 80%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, as a result of acquiring or constructing approximately \$1.4

million in depreciable assets in the last quarter of 2015 and an additional \$16.7 million depreciable assets during the first three quarters of 2016.

Property operating expenses increased \$0.7 million, or 92% for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, of which \$0.4 million was attributable to an increase in property taxes and \$0.1 million increase in property insurance largely as a result of property acquisitions. The increase also included a \$0.2 million increase in a variety of other property operating costs such as repairs and maintenance, state / franchise taxes and other miscellaneous items.

Acquisition and due diligence costs totaled \$1.8 million for the nine months ended September 30, 2016 as compared to \$0.2 million recognized in the same period of the prior year. The acquisition and due diligence costs recognized in the nine months ended September 30, 2016 primarily consisted of \$1.6 million of costs related to the AFCO Mergers, with the remainder related to other acquisitions.

General and administrative expenses increased \$1.8 million, or 60%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. The increase in general and administrative expenses was largely a result of increased costs related to our continued growth. During the nine months ended September 30, 2016, employee compensation expenses increased \$1.3 million, as compared with the same period in 2015, due to an increase in the number of employees 12 at the beginning of 2015 to 15 at September 30, 2016. Included in compensation costs is \$0.1 million for the new employee benefits program, which was not in place as of September 30, 2015. During the nine months ended September 30, 2016, our public company costs increased \$0.2 million due to increased investor relations, regulatory and compliance activity, and conference attendance. Additional increases during the nine months ended September 30, 2016 compared to the prior year were a \$0.3 million increase in travel and office rent expense.

Legal and accounting expenses increased \$0.2 million, or 36%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily as a result of increased costs related to transactions, the continued growth of our portfolio and general corporate matters.

Other operating expenses totaling \$0.2 million during the nine months ended September 30, 2016 is related to cost of crop sales on the \$0.8 million of revenue recognized on crop sales from our farming operation in our TRS. There were no crop sales or related cost of sales recorded in the nine months ended September 30, 2015.

Interest expense increased by approximately \$4.6 million, or 143%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. We recognized additional interest expense of approximately \$2.4 million during the period related to interest and amortization of deferred loan fees associated with the \$53.0 million Bridge Loan (as defined below), as all costs related to the Bridge Loan were both incurred and amortized during the period. Interest expense increased approximately \$2.3 million as the result of an increase in our average outstanding borrowings during the nine months, which were \$303 million as of September 30, 2016 and \$190 million for the comparative period in 2015. These increases were partially offset by the amortization of deferred financing fees and discounts/premium on debt which increased \$0.1 million during the nine months ended September 30, 2016. The increase in interest expense is due, in large part, to interest on the Bridge Loan, which we do not expect to continue as we do not expect to enter into similar short term financing arrangements in the future.

Income tax expense increased \$0.1 million for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015 as the result of the company having an increase in net income associated with the TRS for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015.

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.

Over the next 12 months, \$20.7 million of our borrowings will mature. 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. As of September 30, 2016, we had \$303 million of debt 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 connection with the AFCO Mergers, at the effective time of the Company Merger, each share of AFCO Common Stock issued and outstanding immediately prior to the effective time of the Company Merger (other than any shares of AFCO Common Stock owned by any wholly owned subsidiary of AFCO or by us or the Operating Partnership or any wholly owned subsidiary of us or the Operating Partnership), will be automatically converted into the right to receive, subject to certain adjustments, 0.7417 shares of our common stock. In addition, in connection with the Company Merger, each outstanding AFCO restricted stock unit that has become fully earned and vested in accordance with its terms will, at the effective time of the Company Merger, be converted into the right to receive 0.7417 shares of our common stock. At the effective time of the Partnership Merger, each common unit of limited partnership interest in AFCO OP issued and outstanding immediately prior to the effective time of the Partnership Merger, will be converted automatically into the right to receive, subject to certain adjustments, 0.7417 OP units.

In addition to utilizing current and any future available borrowings, we entered into equity distribution agreements on September 15, 2015, under which the Company has issued and sold from time to time, through the sales agents, shares of our common stock having an aggregate gross sales price of up to \$25 million. Through September 30, 2016 the Company has generated \$9.3 million in net cash proceeds under this program. This “at-the-market” equity offering program (the “ATM Program”) is intended to provide cost-effective financing alternatives in the capital markets and we intend to use the net proceeds from the ATM Program, 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 loan program. We only intend to utilize the ATM Program if the market price of our common stock reaches levels which are deemed appropriate by our board of directors.

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, compliance with the covenants under our existing debt agreements, 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 Bank Indebtedness

In connection with our initial public offering and the related formation transactions, on April 16, 2014, the Operating Partnership, as borrower, and First Midwest Bank, as lender, entered into the FMW Loan Agreement, which provided for loans in the initial aggregate principal amount of approximately \$30,780,000 (together, the “Multi-Property Loan”). In April 2016 we fully repaid our debt under this loan.

Farmer Mac Facility

We are party to the Amended and Restated Bond Purchase Agreement, dated as of March 1, 2015 and amended on June 2, 2015 and August 3, 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 bond purchase facility (the “Farmer Mac Facility”) that 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 Operating Partnership’s ability to borrow under the Farmer Mac Facility is subject to our ongoing compliance with 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; and a minimum tangible net worth. 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). We were in compliance with all applicable covenants under the Farmer Mac Facility at September 30, 2016.

In connection with the Bond Purchase Agreement, on August 22, 2014, we 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 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 September 30, 2016, we had \$155.5 million outstanding under the Farmer Mac Facility.

Bridge Loan

On February 29, 2016, two wholly owned subsidiaries of the Operating Partnership 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”), which provided 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 Bridge Loan was paid in full, including accrued interest, and without prepayment penalty, on March 29, 2016 using proceeds from the MetLife Term Loans, as described below.

MetLife Term Loans

On June 29, 2016, five wholly owned subsidiaries of the Operating Partnership entered into a loan agreement (the “Second MetLife Loan Agreement”) with Metropolitan Life Insurance Company (“MetLife”), which provides for a loan of approximately \$15.7 million (the “Term Loan 4”) to the Company with a maturity date of June 29, 2026. Interest on Term Loan 4 is payable in cash semi-annually and accrues at a floating rate that will be adjusted quarterly to a rate per annum equal to the greater of (a) the three-month LIBOR plus an initial floating rate spread of 1.750%, which may be adjusted by MetLife on each of September 29, December 29, March 29 and June 29 of each year to an interest equal to the greater of (a) the three month LIBOR plus the floating rate spread or (b) 2.00% per annum. The Loan initially bears interest at a rate of 2.39% per annum until September 29, 2016. On September 29, 2016 the rate increased to 2.59% per annum. Proceeds from Term Loan 4 were used to acquire additional properties and for general corporate purposes.

On March 29, 2016, five wholly owned subsidiaries of the Operating Partnership entered into the loan agreement (the “First MetLife Loan Agreement” and together with the Second MetLife Loan Agreement, the “MetLife Loan Agreements”), which provides a total of \$127 million of term loans, comprised of (i) a \$90 million term loan (“Term Loan 1”), (ii) a \$16.0 million term loan (“Term Loan 2”) and (iii) a \$21.0 million term loan (“Term Loan 3” and, together with Term Loan 1 and Term Loan 2, the “Initial MetLife Term Loans” and, together with Term Loan 4, the “MetLife Term Loans”). The proceeds of the MetLife Term Loans were used to repay existing debt (including amounts outstanding under the existing Bridge Loan agreement) to acquire additional properties and for general corporate purposes. Each initial MetLife Term Loan matures on March 29, 2026 and is secured by first lien mortgages on certain of our properties.

Interest on Term Loan 1 is payable in cash semi-annually and accrues at a floating rate that will be adjusted quarterly to a rate per annum equal to the greater of (a) the three-month LIBOR plus an initial floating rate spread of 1.750%, which may be adjusted by MetLife on each of March 29, 2019, March 29, 2022 and March 29, 2025 to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company’s properties securing Term Loan 1 or (b) 2.000% per annum. Term Loan 1 bore interest at a rate of 2.40% per annum until September 29, 2016. On September 29, 2016 the rate increased to 2.59%. Subject to certain conditions, we may at any time during the term of Term Loan 1 elect to have all or any portion of the unpaid balance of Term Loan 1 bear interest at a fixed rate that is initially established by the lender in its sole discretion that may be adjusted from time to time to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company’s properties securing Term Loan 1. On any floating rate adjustment date, we may prepay any portion of Term Loan 1 that is not subject to a fixed rate without penalty.

Interest on Term Loan 2 and Term Loan 3 is payable in cash semi-annually and accrues at an initial rate of 2.66% per annum, which may be adjusted by MetLife on each of March 29, 2019, March 29, 2022 and March 29, 2025 to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the our properties securing Term Loan 2 and Term Loan 3.

Subject to certain conditions, amounts outstanding under Term Loan 2 and Term Loan 3, as well as any amounts outstanding under Term Loan 1 that are subject to a fixed interest rate, may be prepaid without penalty up to 20% of the original principal amounts of such loans per year or in connection with any rate adjustments. Any other prepayments under the Term Loans generally are subject to a minimum prepayment premium of 1.00%.

In connection with the Initial MetLife Term Loans, on March 29, 2016, the Company and the Operating Partnership each entered into a separate guaranty (the “Initial MetLife Guaranties”) whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers’ obligations under the First MetLife Loan Agreement.

In connection with the Term Loan 4, on June 29, 2016, the Company and the Operating Partnership each entered into a separate guaranty (the “Term Loan 4 Guaranties”) whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers’ obligations under the Second MetLife Loan Agreement.

Each of the MetLife Loan Agreements contains a number of customary affirmative and negative covenants, including the requirement to maintain loan to value ratio of no greater than 60%. The MetLife Guaranties also contain a number of customary affirmative and negative covenants.

Each of the MetLife Loan Agreements includes certain customary events of default, including a cross-default provision related to other outstanding indebtedness of the borrowers, the Company and the Operating Partnership, the occurrence of which, after any applicable cure period, would permit MetLife, among other things, to accelerate payment of all amounts outstanding under the MetLife Term Loans and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the Company’s properties that secure the MetLife Term Loans.

As of September 30, 2016 there was \$142.7 million outstanding under the MetLife Term Loans. A portion of the proceeds was used to pay the outstanding indebtedness under the FMW Loan Agreement. As of September 30, 2016, we were in compliance with all covenants under the MetLife Loan Agreements.

Farm Credit of Central Florida Mortgage Note

On August 31, 2016, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the “Farm Credit Mortgage Note”) with Farm Credit of Central Florida (“Farm Credit”) which provides for a loan of approximately \$8.2 million to the Company with a maturity date of September 1, 2023. As of September 30, 2016 approximately \$5.1 million had been drawn down under the Farm Credit Mortgage Note. Interest on the Farm Credit Mortgage Note is payable in cash quarterly and accrues at a floating rate that will be adjusted monthly to a rate per annum equal to the one-month LIBOR plus 2.6875% provided that the interest rate shall be subject to adjustment on the first day of September, 2016, and on the first day of each month thereafter. Proceeds from the Farm Credit Mortgage Note are to be used for the acquisition and development of additional farms.

The Farm Credit Mortgage Note contains a number of customary affirmative and negative covenants, as well as a covenant requiring us to maintain a debt service coverage ratio of 1.25 to 1.00 beginning on December 31, 2019.

AFCO Credit facilities

Upon closing of the AFCO Mergers, the Company will acquire AFCO's existing indebtedness, totaling \$75 million as of September 30, 2016. The Company expects to enter into an amendment agreement with AFCO's lender to change certain terms of AFCO's indebtedness, and to incur additional indebtedness at the closing of the AFCO Mergers, secured by AFCO assets, to finance costs related to the AFCO Mergers, acquire additional farms, and for general corporate purposes.

Sources and Uses of Cash

The following table summarizes our cash flows for the nine months ended September 30, 2016 and 2015:

<i>(in thousands)</i>	For the nine months ended September 30,	
	2016	2015
Net cash provided by operating activities	\$ 3,614	\$ 8,654
Net cash used in investing activities	\$ (127,349)	\$ (107,036)
Net cash provided by financing activities	\$ 117,410	\$ 107,150

Comparison of the nine months ended September 30, 2016 to the nine months ended September 30, 2015

As of September 30, 2016, we had \$17.2 million of cash and cash equivalents compared to \$42.5 million at September 30, 2015.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased \$5.0 million, primarily as a result of the following:

- Receipt of \$16.3 million in cash rents for the nine months ended September 30, 2016, as compared to receiving \$14.0 million in cash rents in the nine months ended September 30, 2015;
- An increase in cash paid for interest of \$4.8 million for the nine months ended September 30, 2016, as compared to the same period of 2015;
- An increase in cash paid for general operating expenses of approximately \$2.5 million for the nine months ended September 30, 2016 compared to the same period of 2015.

The following sets forth a summary of the cash rent received during the nine months ended September 30, 2016 and 2015:

<i>(in thousands)</i>	Cash Rent Received	
	For the nine months ended September 30,	
	2016	2015
Leases in effect at the beginning of the year	\$ 10,448	\$ 5,505
Leases entered into during the period year	5,894	8,543
	<u>\$ 16,342</u>	<u>\$ 14,048</u>

Cash Flows from Investing Activities

Net cash used for investing activities increased \$20.3 million primarily as a result of the following:

- Completing 22 acquisitions in 2016 for aggregate cash consideration of \$122.4 million, as compared to \$98.9 million in aggregate cash consideration for six acquisitions in 2015;
- A \$1.3 million decrease in investments in real estate improvements during the nine months ended September 30, 2016 compared to the same period in 2015;
- A \$1.8 million decrease in notes receivable issued by the Company during the nine months ended September 30, 2016 compared to the same period in 2015.

Cash Flows from Financing Activities

Net cash provided by financing activities increased \$10.3 million primarily as a result of the following:

- Borrowings from mortgage notes payable increased \$118.3 million as compared to the borrowings during the nine months ended September 30, 2015.
- Debt payments increased \$78.6 million as compared to the nine months ended September 30, 2015 including the pay-off of the \$53.0 million Bridge Loan in 2016;
- Receipt of \$9.3 million under the ATM program as compared to no receipts under the ATM program in the corresponding period ended September 30, 2015;
- Increase of \$3.1 million in dividends paid on common stock and OP units over the nine months ended September 30, 2015.
- A \$35.1 million decrease in proceeds from underwritten public offering for the nine months ended September 30, 2016 as compared to the same period in 2015.
- An increase in payments for debt issuance, offering and other costs totaling \$0.6 million for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015.

Off-Balance Sheet Arrangements

As of September 30, 2016, 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:

- *Real estate related acquisition and due diligence costs.* Acquisition (including audit fees associated with these acquisitions) and due diligence costs 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. Acquisition and due diligence costs totaled \$1.7 million and \$0.1 million for the three months ended September 30, 2016 and 2015, respectively and \$4.2 million and \$0.3 million for the nine months ended September 30, 2016 and 2015, respectively. Real estate related acquisition and due diligence costs for the three and nine months ended September 30, 2016 included \$0 and \$2.3 million in interest and loan fees associated with the short-term Bridge Loan and the Forsythe acquisition and as these fees are a non-recurring item they have been excluded from the calculation. Included in the \$2.3 million of interest and loan fees for the nine months ended September 30, 2016 is only a portion of the interest, approximately \$2.1 million, or 4% of the Bridge Loan's principal amount which was considered additional interest paid as discount on issuance. A portion of the audit fees we incur are directly related to acquisitions, which 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. Total acquisition related audit fees excluded from AFFO totaled \$0.02 million and \$0.02 million for the three months ended September 30, 2016 and 2015, respectively and \$0.1 million and \$0.1 million for the nine months ended September 30, 2016 and 2015,

respectively. 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. These exclusions also improves comparability of our results over each reporting period and of our company with other real estate operators.

- *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, 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. Prior to this date the company did not incur indirect offering costs.
- *Distributions on Preferred units .* Dividends on Preferred units, which are convertible into OP units on or after March 2, 2026, have a fixed and certain impact on our cash flow, thus they are subtracted from FFO. We believe this improves comparability of our company with other real estate operators.
- *Common shares fully diluted.* In accordance with GAAP, common shares 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, redeemable 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. The conversion of Preferred units is excluded from the calculation of common shares fully diluted as they are not participating securities, thus don't share in the performance of the Company and their impact on shares outstanding is uncertain.

In periods prior to the quarter ended June 30, 2016, our calculation of AFFO also adjusted FFO to reflect 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. In prior filings with the SEC, we referred to this adjustment as “crop-year revenue adjustment.” For the three and nine months ended September 30, 2015, the crop-year revenue adjustment was \$0.3 million and \$1.5 million, respectively. In accordance with recently released interpretation from the SEC regarding the presentation of non-GAAP financial measures, we no longer include the crop-year revenue adjustment in our calculation of AFFO in periods subsequent to March 31, 2016. As a result of the change in our presentation of AFFO, the reported amounts of AFFO for the three and nine months ended September 30, 2016 and subsequent periods will not be directly comparable to the reported amounts in prior periods in which we adjusted for crop-year adjusted revenue.

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The following table sets forth a reconciliation of net income (loss) to FFO, AFFO and net (loss) 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 as previously reported (unaudited):

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
<i>(in thousands except per share amounts)</i>				
Net income (loss)	\$ 100	\$ 858	\$ (513)	\$ 806
Depreciation and depletion	419	237	1,102	613
FFO	519	1,095	589	1,419
Crop year revenue adjustment (1)	—	295	956	1,466
Stock based compensation	333	229	889	709
Indirect equity offering costs	24	10	72	10
Real estate related acquisition and due diligence costs	1,735	129	4,172 (2)	266
Distributions on Preferred units	(887)	—	(2,057)	—
AFFO	\$ 1,724	\$ 1,758	\$ 4,621	\$ 3,870
AFFO per diluted weighted average share data:	1,724	1,463	3,665	2,404
AFFO weighted average common shares	19,711	15,476	18,576	12,016
Net (loss) income per share available to common stockholders	\$ (0.06)	\$ 0.04	\$ (0.21)	\$ 0.03
Income available to redeemable non-controlling interest and non-controlling interest in operating partnership	0.07	0.01	0.19	0.04
Depreciation and depletion	0.02	0.02	0.06	0.05
Crop year revenue adjustment	—	0.02	0.05	0.12
Stock based compensation	0.02	0.01	0.05	0.06
Indirect equity offering costs	0.00	—	0.00	—
Real estate related acquisition and due diligence costs	0.09	0.01	0.22	0.02
Distributions on Preferred units	(0.05)	—	(0.11)	—
AFFO per diluted weighted average share	\$ 0.09	\$ 0.11	\$ 0.25	\$ 0.32

- (1) In accordance with recently released interpretation from the SEC regarding the presentation of non-GAAP financial measures, we no longer include the crop-year revenue adjustment in our calculation of AFFO in periods subsequent to March 31, 2016.
- (2) Real estate related acquisition and due diligence costs include \$2.3 million in interest and loan fees associated with the short-term \$53.0 million Bridge Loan as these costs are non-recurring costs incurred in conjunction with the Forsythe farm acquisition as well as acquisition related audit fees totaling \$0.1 million.

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 three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
<i>(in thousands)</i>				
Basic weighted average shares outstanding	13,683	11,154	12,663	8,872
Weighted average OP units on an as-if converted basis	5,840	3,294	5,265	2,584
Weighted average unvested restricted stock	188	144	177	171
Weighted average redeemable non-controlling interest in operating partnership	—	884	471	389
AFFO weighted average common shares	19,711	15,476	18,576	12,016

EBITD and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization (“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 (“Adjusted EBITDA”), a non-GAAP measure.

We further adjust EBITDA for certain additional items such as stock based compensation, indirect 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. As of September 30, 2015, we began excluding indirect offering costs from EBITDA as we believe it improves comparability of our results over each reporting period and of our company with other real estate operators. Prior to this date the Company had not incurred any indirect offering costs. 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.

In periods prior to the quarter ended June 30, 2016, our calculation of Adjusted EBITDA also adjusted EBITDA to reflect the crop-year revenue adjustment discussed above. For the three and nine months ended September 30, 2015, the crop-year revenue adjustment was \$0.3 million and \$1.5 million, respectively. In accordance with recently released interpretation from the SEC regarding the presentation of non-GAAP financial measures, we no longer include the crop-year revenue adjustment in our calculation of Adjusted EBITDA in periods subsequent to March 31, 2016. As a result of the change in our presentation of Adjusted EBITDA, the reported amounts of Adjusted EBITDA for the three and nine months ended September 30, 2016 and subsequent periods will not be directly comparable to the reported amounts in prior periods in which we adjusted for crop-year adjusted revenue.

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
(in thousands)	2016	2015	2016	2015
Net income (loss)	\$ 100	\$ 858	\$ (513)	\$ 806
Interest expense	2,065	1,390	7,869	3,232
Income tax expense	97	4	97	4
Depreciation and depletion	419	237	1,102	613
EBITDA	\$ 2,681	\$ 2,489	\$ 8,555	\$ 4,655
Crop year revenue adjustment ⁽¹⁾	—	295	956	1,466
Stock-based compensation	333	229	889	709
Indirect equity offering costs	24	10	72	10
Real estate related acquisition and due diligence costs	1,735	129	1,901	266
Adjusted EBITDA	\$ 4,773	\$ 3,152	\$ 12,373	\$ 7,106

(1) In accordance with recently released interpretation from the SEC regarding the presentation of non-GAAP financial measures, we no longer include the crop-year revenue adjustment in our calculation of Adjusted EBITDA in periods subsequent to March 31, 2016.

Inflation

All of the leases for the farmland in our portfolio have one- to five-year terms, with the exception of two that have ten-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 3. 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 September 30, 2016, approximately \$147.8 million, or 49%, of our debt had variable interest rates, all of which may be reset every three years starting in March 2019 until maturity in March 2026. Assuming no increase in the level of our variable rate debt, if interest rates increased by 1.0%, or 100 basis points, our short-term cash flow would decrease by approximately \$369,000 for the year. The impact of a 1.0% interest rate increase in 2019 and thereafter would decrease the cash flow approximately \$1.5 million. At September 30, 2016, LIBOR was approximately 52 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 increase approximately \$1,881,000 annually.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, management has 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 as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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.

On October 26, 2016, a purported class action lawsuit was filed in the Circuit Court for Baltimore County, Maryland against AFCO, seeking to represent a proposed class of all AFCO stockholders captioned *Parshall v. American Farmland Company et. al.*, Case No. 24C16005745. The complaint names as defendants AFCO, the members of AFCO's board of directors, AFCO OP, the Company, the Operating Partnership, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP and FPI Heartland GP LLC. The complaint alleges that the AFCO directors breached their duties to AFCO in connection with the evaluation and approval of the AFCO Mergers. In addition, the complaint alleges, among other things, that AFCO, AFCO OP, the Company, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP and FPI Heartland GP LLC aided and abetted those breaches of duties. The complaint seeks equitable relief, including a potential injunction against the AFCO Mergers. The deadline for an answer or other responsive pleading by the defendants has not yet passed. We believe the allegations in the complaint are without merit and intend to defend against those allegations.

Item 1A. Risk Factors.

In addition to the risks related to the AFCO Mergers set forth below, please see the risk factors set forth in Exhibit 99.1 to this Quarterly Report on Form 10-Q, which contains the risk factors that are included in our Registration Statement on Form S-4 filed with the SEC on October 3, 2016 and is incorporated by reference herein, and the risk factors previously disclosed in response to "Part I - Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 15, 2016.

Risks Related to the AFCO Mergers

There can be no assurance that the AFCO Mergers will be consummated in accordance with the anticipated timing or at all.

Although we expect to close the AFCO Mergers in the first quarter of 2017, there can be no assurance that the AFCO Mergers will be completed in accordance with the anticipated timing or at all. The AFCO Merger Agreement contains closing conditions, which may not be satisfied or waived, in which case we will not be obligated to complete the Mergers. In addition, under circumstances specified in the Merger Agreement, we or AFCO may terminate the Merger Agreement. Also, the price of our common stock may decline to the extent that the current market price of our common stock reflects

a market assumption that the Mergers will be consummated and that we will realize certain anticipated benefits of the AFCO Mergers.

Failure to consummate the AFCO Mergers and the other transactions contemplated by the AFCO Merger Agreement as currently contemplated or at all could adversely affect the price of our common stock and our future business and financial results.

The consummation of the AFCO Mergers and the other transactions contemplated by the AFCO Merger Agreement may be delayed, the Mergers and the other transactions contemplated by the AFCO Merger Agreement may be consummated on terms different than those contemplated by the AFCO Merger Agreement, or the AFCO Mergers and the other transactions contemplated by the Merger Agreement may not be consummated at all. Failure to consummate the AFCO Mergers and the other transactions contemplated by the AFCO Merger Agreement would prevent our stockholders from realizing the anticipated benefits of the AFCO Mergers and the other transactions contemplated by the AFCO Merger Agreement and could result in a significant decline in the market price of our common stock and a negative perception of us, generally. Any delay in the consummation of the Mergers and the other transactions contemplated by the AFCO Merger Agreement or any uncertainty about the consummation of the Mergers and the other transactions contemplated by the Merger Agreement on terms different than those contemplated by the AFCO Merger Agreement or at all could also negatively impact our stock price and future business and financial results.

We will incur substantial expenses and payments even if the AFCO Mergers are not completed.

We have incurred substantial legal, accounting, financial advisory and other costs and our management has devoted considerable time and effort in connection with the AFCO Mergers. If the AFCO Mergers are not completed, we will bear certain fees and expenses associated with the Mergers without realizing the benefits of the Mergers. The fees and expenses may be significant and could have an adverse impact on our results of operations.

The AFCO Merger Agreement provides for a termination fee payable by us of \$6.0 million if the AFCO Merger Agreement is terminated under certain circumstances, including as a result of a material breach by us of any covenant or agreement under the AFCO Merger Agreement.

Our business and the market price of our common stock may be adversely affected if the Mergers are not completed.

The AFCO Mergers are subject to customary and other closing conditions. If the Mergers are not completed, we could be subject to a number of risks that may adversely affect our business and the market price of our common stock, including:

- " our management's attention may be diverted from our day-to-day business and our employees and our relationships with tenants may be disrupted as a result of efforts relating to attempting to consummate the AFCO Mergers;
- " the market price of our common stock may decline to the extent that the current market price reflects a market assumption that the AFCO Mergers will be completed;
- " we must pay certain costs related to the AFCO Mergers, such as legal and accounting fees and expenses, regardless of whether the AFCO Mergers are consummated; and
- " we would not realize the benefits we expect to realize from consummating the AFCO Mergers.

Following the AFCO Mergers, we may be unable to integrate our business and AFCO's business successfully and realize the anticipated synergies and other expected benefits of the Mergers on the anticipated timeframe or at all.

The AFCO Mergers involve the combination of two companies that currently operate as independent public companies. We expect to benefit from the elimination of duplicative costs associated with supporting our public company platform and resulting economies of scale. These savings are expected to be realized upon full integration, which is expected to occur in 2017. Potential difficulties we may encounter in the integration process include the following:

- " the inability to achieve the cost savings anticipated to result from the AFCO Mergers, which would result in the anticipated benefits of the Mergers not being realized in the timeframe currently anticipated or at all;
- " the complexities of combining two companies with different geographic footprint, crop focus and tenant bases; and
- " potential unknown liabilities and unforeseen increased expenses, delays or conditions associated with the AFCO Mergers.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our operations, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with tenants, vendors and employees or to achieve the anticipated benefits of the AFCO Mergers, or could otherwise materially and adversely affect our business and financial results.

In connection with the announcement of the entry into the AFCO Merger Agreement, a lawsuit has been filed, seeking, among other things, to enjoin the AFCO Mergers, and an adverse judgment in either of these lawsuits may prevent the AFCO Mergers from being effective or from becoming effective within the expected timeframe.

On October 26, 2016, a purported class action lawsuit was filed in the Circuit Court for Baltimore County, Maryland against AFCO, seeking to represent a proposed class of all AFCO stockholders captioned *Parshall v. American Farmland Company et. al.*, Case No. 24C16005745. The complaint names as defendants AFCO, the members of AFCO's board of directors, AFCO OP, the Company, the Operating Partnership, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP and FPI Heartland GP LLC. The complaint alleges that the AFCO directors breached their duties to AFCO in connection with the evaluation and approval of the proposed merger with Farmland Partners. In addition, the complaint alleges, among other things, that AFCO, AFCO OP, the Company, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP and FPI Heartland GP LLC aided and abetted those breaches of duties. The complaint seeks equitable relief, including a potential injunction against the AFCO Mergers. The deadline for an answer or other responsive pleading by the defendants has not yet passed. We believe the allegations in the complaint are without merit and intend to defend against those allegations.

We cannot assure you as to the outcome of this pending litigation, or any similar future lawsuits, including costs associated with defending these claims, any other liabilities that may be incurred in connection with the litigation or settlement of these claims, or any effect on our operations or the timing in which any merger is approved or completed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Share Repurchase Program

On October 29, 2014, our board of directors approved a program to repurchase up to \$10,000,000 in shares of our common stock. Repurchases under this program may be made from time to time, in amounts and prices as we deem 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 our insider trading policy, and other relevant factors. This share repurchase program does not obligate us to acquire any particular amount of common stock, and it may be modified or suspended at any time at our discretion. We expect to fund repurchases under the program using cash on its balance sheet. Our repurchase activity for the nine months ended September 30, 2016 under the share repurchase program is presented in the following table.

	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
<i>(\$ in thousands)</i>				
July 1, 2016 - July 31, 2016	—	\$ —	—	\$ 9,979
August 1, 2016 - August 31, 2016	—	—	—	9,979
September 1, 2016 - September 30, 2016	—	—	—	9,979
Total	—	\$ —	—	\$ 9,979

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other information.

None.

Item 6. Exhibits.

The exhibits listed in the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Farmland Partners Inc.

Dated: November 7, 2016

/s/ Paul A. Pittman

Paul A. Pittman

Executive Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 7, 2016

/s/ Luca Fabbri

Luca Fabbri

Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit Index

Exhibit Number	Description of Exhibit
2.1+	Agreement and Plan of Merger, dated as of September 12, 2016, by and among Farmland Partners Inc., Farmland Partners Operating Partnership, LP, Farmland Partners OP GP LLC, FPI Heartland LLC, FPI Heartland Operating Partnership, LP, FPI Heartland GP LLC, American Farmland Company and American Farmland Company L.P. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 12, 2016).
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.
99.1*	Excerpts from the Joint Proxy Statement/Prospectus forming part of the Registration Statement on Form S-4 (File No. 333-213925) filed by the Company on October 3, 2016.
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

+ Farmland Partners Inc. has omitted certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K and agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit upon request by the SEC.

**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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 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: November 7, 2016

/s/ PAUL A. PITTMAN

Paul A. Pittman

Executive Chairman, President and Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Luca Fabbri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 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: November 7, 2016

/s/ LUCA FABBRI

Luca Fabbri
Chief Financial Officer 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 Quarterly Report of Farmland Partners Inc. (the "Company") on Form 10-Q for the period ended September 30, 2016 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: November 7, 2016

/s/ PAUL A. PITTMAN

Paul A. Pittman

Executive Chairman, President and Chief Executive Officer

Date: November 7, 2016

/s/ LUCA FABBRI

Luca Fabbri

Chief Financial Officer and Treasurer

EXPLANATORY NOTE

The following is an excerpt from the joint proxy statement/prospectus included in the Registration Statement on Form S-4 (File No. 333-213925) of Farmland Partners Inc. (the “Company”), filed with the Securities and Exchange Commission on October 3, 2016. The Company is filing the excerpt below for the sole purpose of incorporating it by reference in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.

RISK FACTORS

In addition to the other information included in this joint proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements," whether you are an FPI stockholder or an AFCO stockholder, you should carefully consider the following risks before deciding how to vote your shares of common stock of FPI and/or AFCO. In addition, you should read and consider the risks associated with each of the businesses of FPI and AFCO because many of these risks will also affect the Combined Company. These risks can be found in the Annual Report on Form 10-K for the year ended December 31, 2015 and subsequent Quarterly Reports on Form 10-Q of FPI, filed with the SEC and incorporated by reference herein, and "—Risks Related to AFCO's Business and Farms" beginning on page 40. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information; Incorporation by Reference" beginning on page 280.

Risk Factors Relating to the Mergers

Failure to consummate the Mergers and the other transactions contemplated by the Merger Agreement as currently contemplated or at all could adversely affect the price of FPI common stock, AFCO common stock and the future business and financial results of the Combined Company.

The consummation of the Mergers and the other transactions contemplated by the Merger Agreement may be delayed, the Mergers and the other transactions contemplated by the Merger Agreement may be consummated on terms different than those contemplated by the Merger Agreement, or the Mergers and the other transactions contemplated by the Merger Agreement may not be consummated at all. Failure to consummate the Mergers and the other transactions contemplated by the Merger Agreement would prevent FPI's and AFCO's stockholders from realizing the anticipated benefits of the Mergers and the other transactions contemplated by the Merger Agreement. In addition, the consideration to be paid by FPI in the Company Merger reflects a valuation of AFCO significantly in excess of the price at which AFCO's common stock was trading prior to the public announcement of the parties' entry into the Merger Agreement. The current market price of AFCO common stock may reflect a market assumption that the Mergers will occur, and a failure to consummate the Mergers could result in a significant decline in the market price of FPI and/or AFCO common stock and a negative perception of FPI and/or AFCO, generally. Any delay in the consummation of the Mergers and the other transactions contemplated by the Merger Agreement or any uncertainty about the consummation of the Mergers and the other transactions contemplated by the Merger Agreement on terms different than those contemplated by the Merger Agreement or at all could also negatively impact the stock price and future business and financial results of FPI, AFCO and/or the Combined Company, as applicable.

The Exchange Ratio is fixed and will not be adjusted in the event of any change in the share prices of either FPI common stock or AFCO common stock.

Upon the consummation of the Company Merger, each share of AFCO common stock will be converted into the right to receive 0.7417 shares of FPI common stock, with cash paid in lieu of any fractional shares. This Exchange Ratio was fixed in the Merger Agreement and will not be adjusted for changes in the market prices of either shares of FPI common stock or shares of AFCO common stock. Changes in the market prices of shares of FPI common stock prior to the Company Merger will affect the market value of the merger consideration that AFCO stockholders will receive at the effective time

of the Company Merger. Stock price changes may result from a variety of factors (many of which are beyond the control of FPI and AFCO), including the following factors:

- market reaction to the announcement of the Mergers or the issuance of shares of FPI common stock in the Company Merger, the issuance of FPI OP Units in the Partnership Merger, and/or the issuance of shares of FPI common stock in respect of fully vested and earned AFCO RSUs;
- changes in the respective businesses, operations, assets, liabilities and prospects of FPI and AFCO;
- changes in market assessments of the business, operations, financial position and prospects of FPI, AFCO or the Combined Company;
- market assessments of the likelihood that the Mergers and the other transactions contemplated by the Merger Agreement will be completed;
- changes in market valuations of similar companies;
- dissident stockholder activity, including any stockholder litigation challenging the transaction;
- interest rates, general market and economic conditions and other factors generally affecting the market prices of FPI common stock and AFCO common stock;
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which FPI and AFCO operate; and
- other factors beyond the control of FPI and AFCO, including those described or referred to elsewhere in this "Risk Factors" section.

The market price of shares of FPI common stock at the effective time of the Company Merger may vary from its price on the date the Merger Agreement was executed, on the date of this joint proxy statement/prospectus and on the date of the respective special meetings of FPI and AFCO. As a result, the market value of the merger consideration represented by the Exchange Ratio will fluctuate until the effective time of the Company Merger. For example, based on the range of trading prices of shares of FPI common stock during the period after September 9, 2016, the last trading day before FPI and AFCO announced the Mergers, through [●], 2016, the latest practicable trading day before the date of this joint proxy statement/prospectus, the Exchange Ratio of 0.7417 represented a market value ranging from a low of \$[●] to a high of \$[●].

Because the Company Merger will be completed after the date of the FPI and AFCO special meetings, at the time of your special meeting, you will not know the exact market value of the shares of FPI common stock that AFCO stockholders will receive upon completion of the Company Merger. You should consider the following two risks:

- If the market price of shares of FPI common stock increases between the date the Merger Agreement was signed or the date of the FPI and AFCO special meetings and the effective time of the Company Merger, AFCO stockholders will receive shares of FPI common stock that have a market value upon completion of the Company Merger that is greater than the market value of such shares calculated pursuant to the Exchange Ratio on the date the Merger Agreement was signed or on the date of the special meetings, respectively.
- If the market price of shares of FPI common stock declines between the date the Merger Agreement was signed or the date of the FPI and AFCO special meetings and the effective time of the Company Merger, AFCO stockholders will receive shares of FPI common stock that have a market value upon completion of the Company Merger that is less than the market value of such shares calculated pursuant to the Exchange Ratio on the date the Merger Agreement was signed or on the date of the special meetings, respectively.

Therefore, while the number of shares of FPI common stock to be issued per share of AFCO common stock is fixed and will not change based on the market price of FPI common stock or AFCO common stock, (1) FPI stockholders cannot be sure of the market value of the consideration that will be paid to AFCO stockholders upon completion of the Company Merger and (2) AFCO stockholders cannot be sure of the market value of the consideration they will receive upon completion of the Company Merger.

The ownership positions of FPI and AFCO stockholders will be diluted by the Company Merger.

The Company Merger will dilute the ownership position of FPI stockholders and result in AFCO stockholders having an ownership stake in the Combined Company that is smaller than their current stake in AFCO. Upon completion of the Company Merger, based on the number of shares of FPI common stock and AFCO common stock outstanding on [●], 2016, the latest practicable date prior to the filing of this joint proxy statement/prospectus, we estimate that continuing FPI equity holders will own approximately [●]% of the issued and outstanding shares of Combined Company common stock, and former AFCO equity holders will own approximately [●]% of the issued and outstanding shares of common stock of the Combined Company, in each case assuming the redemption of all outstanding FPI OP Units for shares of FPI common stock (including any FPI OP Units issued to holders of AFCO OP Units in the Partnership Merger). Consequently, FPI stockholders and AFCO stockholders, as a general matter, will have less influence over the management and policies of the Combined Company after the effective time of the Company Merger than each currently exercise over the management and policies of FPI and AFCO, as applicable.

The consummation of the Mergers and the other transactions contemplated by the Merger Agreement are subject to a number of conditions which, if not satisfied or waived, would adversely impact the parties' ability to complete the Mergers and the other transactions contemplated by the Merger Agreement.

The Mergers and the other transactions contemplated by the Merger Agreement, which are expected to close during the fourth quarter of 2016 or the first quarter of 2017 and are subject to certain closing conditions, including, among others: (i) the approval of the FPI Stock Issuance Proposal by a majority of the votes cast by FPI stockholders at the FPI special meeting and the approval for listing on the NYSE of the shares approved for issuance, (ii) the approval of the AFCO Merger Proposal by the holders of a majority of the issued and outstanding shares of AFCO common stock entitled to vote at the AFCO special meeting, (iii) the SEC having declared effective the Registration Statement on Form S-4 of which this joint proxy statement/prospectus forms a part, pursuant to which the shares of FPI common stock to be issued in the Company Merger will be registered under the Securities Act, (iv) the absence of any law, injunction, judgment, order or ruling prohibiting the Mergers and the other transactions contemplated by the Merger Agreement, (v) the accuracy of the representations and warranties made by FPI and AFCO (subject to customary materiality qualifications), (vi) the performance by FPI and AFCO in all material respects of their covenants, obligations and agreements under the Merger Agreement, (vii) the absence of certain changes, (viii) the delivery of tax opinions related to each of FPI's and AFCO's status as a real estate investment trust under the Code, and (ix) the delivery of tax opinions that the Company Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

There can be no assurance these conditions will be satisfied or waived, if permitted. Therefore, there can be no assurance with respect to the timing of the closing of the Mergers and the other transactions contemplated by the Merger Agreement or that the Mergers and the other transactions contemplated by the Merger Agreement will be completed at all.

FPI and AFCO may waive one or more conditions set forth in the Merger Agreement without resoliciting stockholder approval.

Certain conditions to FPI's and AFCO's obligations to complete the Mergers and the other transactions contemplated by the Merger Agreement may be waived, in whole or in part, to the extent legally allowed, either unilaterally or by agreement of FPI and AFCO. In the event that any such waiver does not require resolicitation of stockholders, the parties will have the discretion to complete the Mergers and the other transactions contemplated by the Merger Agreement without seeking further stockholder approval.

If the Mergers do not occur, one of the companies may incur payment obligations to the other.

If the Merger Agreement is terminated under certain circumstances, FPI or AFCO may be obligated to pay the other party a termination fee of \$6,000,000 and/or to reimburse the other party for costs and expenses, including the reasonable fees and expenses of lawyers, accountants, financial advisors and investment bankers, of up to \$1,000,000. See "The Merger Agreement—Termination of the Merger Agreement" beginning on page 152.

Subject to certain limitations set forth in the Merger Agreement, FPI may issue additional equity securities without the approval of its stockholders, AFCO or AFCO's stockholders, which would further dilute the ownership position of FPI stockholders and may depress the market for FPI common stock.

Subject to certain limitations set forth in the Merger Agreement, FPI may issue additional equity securities during the pendency of the Mergers and any such issuances would result in further dilution in the ownership position of FPI stockholders and may adversely affect the market price of FPI's stock, which could reduce the value to be received by AFCO stockholders in the Company Merger. In addition, after the effective time of the Company Merger, FPI may issue additional FPI common stock or other equity securities in connection with, among other things, future acquisitions, repayment of indebtedness or grants under its Amended and Restated 2014 Equity Incentive Plan without stockholder approval. If FPI issues additional common stock or other equity securities, the following consequences could result:

- each FPI stockholder's ownership interest in FPI will decrease;
- the amount of cash available per share, including for the payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share of FPI common stock may be diminished; and
- the market price of FPI common stock could decline.

Failure to complete the Mergers and the other transactions contemplated by the Merger Agreement could negatively affect the future business and financial results of both FPI and AFCO and their respective stock prices.

If the Mergers and the other transactions contemplated by the Merger Agreement are not completed for any reason, the ongoing businesses of FPI and AFCO could be adversely affected and each of FPI and AFCO will be subject to a variety of risks associated with the failure to complete the Mergers and the other transactions contemplated by the Merger Agreement, including the following:

- FPI or AFCO being required, under certain circumstances, to pay to the other party a termination fee of \$6,000,000 and/or reimburse the other party for expenses of up to \$1,000,000;

- having to pay certain costs relating to the proposed Mergers, including, without limitation, the reasonable fees of lawyers, accountants, financial advisors and investment bankers, as well as filing, printing and mailing fees; and
- diversion of significant management focus and resources from operational matters and other strategic opportunities while working to implement the Mergers.

If the Mergers and the other transactions contemplated by the Merger Agreement are not completed, these risks could materially and adversely affect the business, financial results and stock prices of both FPI and AFCO. See "The Merger Agreement—Termination of the Merger Agreement" beginning on page 152 for more information regarding the specific circumstances under which termination fees and expense reimbursement are payable.

The pendency of the transactions contemplated by the Merger Agreement could materially and adversely affect the business and operations of FPI and AFCO.

Prior to the effective time of the Mergers, some tenants or vendors of each of FPI and AFCO may delay or defer decisions regarding whether to continue to do business with FPI and AFCO, as applicable, which could negatively affect the revenues, earnings, cash flows and expenses of FPI and AFCO, regardless of whether the Mergers are completed. In addition, the Merger Agreement restricts FPI and AFCO from taking specified actions until the Mergers occur without the consent of the other party. These restrictions may, among other things, prevent FPI or AFCO from pursuing attractive business opportunities that may arise prior to the consummation of the Mergers. See "The Merger Agreement—Covenants and Agreements" for a description of the restrictive covenants applicable to FPI and AFCO.

The Merger Agreement contains provisions that could discourage a potential competing acquirer of either FPI or AFCO or could result in any competing acquisition proposal being at a lower price than it might otherwise be.

The Merger Agreement contains provisions that, subject to limited exceptions, restrict the ability of each of FPI and AFCO to initiate, solicit, knowingly encourage or knowingly facilitate any third-party proposals to acquire all or a significant part of FPI or AFCO, respectively. With respect to any bona fide third-party acquisition proposal, the FPI Board or the AFCO Board, as the case may be, may, in certain circumstances, withdraw or modify its recommendation to their respective stockholders in response to such acquisition proposal. Upon termination of the Merger Agreement in certain circumstances, one of the parties may be required to pay a substantial termination fee and certain expenses and fees to the other party. See "The Merger Agreement—Termination of the Merger Agreement" beginning on page 152.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of FPI or AFCO from considering or proposing a competing acquisition, even if the potential competing acquirer was prepared to pay consideration with a higher per share cash value than the market value proposed to be received or realized in the Mergers, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee and related expenses and fees that may become payable in certain circumstances under the Merger Agreement.

If the Mergers and the other transactions contemplated by the Merger Agreement are not consummated by March 31, 2017, either FPI or AFCO may terminate the Merger Agreement.

Either FPI or AFCO may terminate the Merger Agreement if the Mergers have not been consummated by March 31, 2017. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the Merger Agreement and that failure was the cause of, or

resulted in, the failure to consummate the Mergers. See "The Merger Agreement—Termination of the Merger Agreement" beginning on page 152. In the event the Merger Agreement is terminated by either party due to the failure of the Mergers to close by March 31, 2017, both FPI and AFCO will have incurred significant costs and will have diverted significant management focus and resources from other strategic opportunities without realizing the anticipated benefits of the Mergers.

If the Company Merger does not qualify as a tax-free reorganization, FPI, AFCO and their stockholders may recognize a taxable gain.

The Company Merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code. As a result, AFCO stockholders that are U.S. holders (as defined below) are not expected to recognize gain or loss as a result of the Company Merger (except with respect to the receipt of cash in lieu of fractional shares of Combined Company common stock). The closing of the Company Merger is conditioned on the receipt by each of FPI and AFCO of an opinion from its respective counsel to the effect that the Company Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. However, these legal opinions will not be binding on the IRS or on the courts. If, for any reason, the Company Merger does not qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code, then each AFCO stockholder generally would recognize gain or loss, for U.S. federal income tax purposes, equal to the difference between the sum of the fair market value of the Combined Company common stock and cash in lieu of fractional shares of Combined Company common stock received by the stockholder in the Company Merger and the stockholder's adjusted tax basis in the shares of AFCO common stock exchanged therefor. Moreover, under the "investment company" rules under Section 368 of the Code, if both FPI and AFCO are "investment companies" under such rules, the failure of either FPI or AFCO to qualify as a REIT could cause the Company Merger to be taxable to FPI or AFCO, respectively, and its stockholders. See "Material U.S. Federal Income Tax Consequences" beginning on page 158.

Certain directors and executive officers of AFCO have interests in seeing the Mergers completed that are different from, or in addition to, those of other FPI stockholders and AFCO stockholders.

Certain directors and executive officers of FPI and AFCO negotiated the terms of the Merger Agreement, and the FPI Board and the AFCO Board recommended that the stockholders of FPI and the stockholders of AFCO, respectively, vote in favor of the FPI Stock Issuance Proposal and the AFCO Merger Proposal, respectively, and the related proposals. Certain of AFCO's directors and executive officers may have interests in the Mergers that are different from, or in addition to, those of FPI stockholders and AFCO stockholders, including, but are not limited to, the service of certain directors of AFCO as directors of the Combined Company, the continued employment of one or more executive officers of AFCO by the Combined Company, the treatment in the Company Merger of AFCO RSUs, employment agreements and other rights held by AFCO directors and executive officers, and provisions in the Merger Agreement regarding continued indemnification of and advancement of expenses to AFCO directors and officers. These interests may influence or may have influenced the directors and officers of AFCO, and AFCO stockholders should be aware of these interests when they consider their respective board of directors' recommendation that they vote in favor of the proposals submitted to the stockholders of FPI and AFCO.

The members of the FPI Board and the AFCO Board were aware of and considered these interests, among other matters, in evaluating the Merger Agreement, the Mergers and the related transactions, and in recommending the applicable proposals to their respective stockholders. The interests of FPI and AFCO directors and executive officers are described in more detail in the section of this joint proxy statement/prospectus entitled "The Mergers—Interests of AFCO's Directors and Executive Officers in the Mergers."

Risk Factors Relating to the Combined Company Following the Mergers

The Combined Company's actual financial position and results of operations may differ materially from the unaudited pro forma financial information included in this joint proxy statement/prospectus.

The unaudited pro forma financial information contained in this joint proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been consummated at the beginning of the earliest period presented, nor is it necessarily indicative of future operating results or financial position of the Combined Company. In particular, the unaudited pro forma financial information was prepared under one set of assumptions, does not reflect the benefits of expected cost savings (or associated costs to achieve such savings), opportunities to earn additional revenue, or other factors that may result as a consequence of the Mergers, and do not attempt to predict or suggest future results. The unaudited pro forma financial information has been derived from the audited and unaudited historical financial statements of FPI and AFCO, and certain adjustments, estimates and assumptions have been made regarding the Combined Company after giving effect to the Mergers.

Furthermore, the process of preparing the unaudited pro forma financial information required management of FPI and AFCO to make certain assumptions and estimates, which may prove to be incorrect as additional information becomes available and as additional analyses are performed, and other factors may affect the Combined Company's financial condition or results of operations following the closing of the Mergers. Any material variances between the preliminary estimates used in the preparation of the unaudited pro forma financial information and the final acquisition accounting could have a material adverse impact on the unaudited pro forma financial information and the Combined Company's financial position and future results of operations, which could have a material adverse effect on the market price of the Combined Company's common stock. See "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page F-2.

The Combined Company expects to incur substantial expenses related to the Mergers.

The Combined Company expects to incur substantial expenses in connection with completing the Mergers and integrating the business, operations, networks, systems, policies and procedures of the two companies. Although FPI and AFCO have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the Mergers could, particularly in the near term, exceed the savings that the Combined Company expects to achieve following the completion of the Mergers.

Following the Mergers, the Combined Company may be unable to integrate the businesses of FPI and AFCO successfully and realize the anticipated synergies and other expected benefits of the Mergers on the anticipated timeframe or at all.

The Mergers involve the combination of two companies that currently operate as independent public companies. The Combined Company is expected to benefit from the elimination of duplicative costs associated with supporting the Combined Company's public company platform and resulting economies of scale. These savings are expected to be realized upon full integration, which is expected to occur in 2017. Potential difficulties the Combined Company may encounter in the integration process include the following:

- the inability to achieve the cost savings anticipated to result from the Mergers, which would result in the anticipated benefits of the Mergers not being realized in the timeframe currently anticipated or at all;

- the complexities of combining two companies with different geographic footprint, crop focus and tenant bases; and
- potential unknown liabilities and unforeseen increased expenses, delays or conditions associated with the Mergers.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the Combined Company's management, the disruption of the Combined Company's ongoing business or inconsistencies in the Combined Company's operations, services, standards, controls, procedures and policies, any of which could adversely affect the ability of the Combined Company to maintain relationships with tenants, vendors and employees or to achieve the anticipated benefits of the Mergers, or could otherwise materially and adversely affect the business and financial results of the Combined Company.

The Mergers will result in changes to the board of directors and management of the Combined Company that may affect the strategy of the Combined Company as compared to that of FPI and AFCO independently.

If the parties complete the Mergers, the composition of the board of directors of the Combined Company and management team will change from the respective boards and management teams of FPI and AFCO. The board of directors of the Combined Company will consist of eight members, with all six directors from the current FPI Board and two directors from the current AFCO Board constituting the members of the Combined Company's board of directors. Robert L. Cowan, AFCO's current President and Chief Investment Officer, is expected to join the Combined Company as its President following the effective time of the Company Merger. The new composition of the board of directors and the management team of the Combined Company may affect the business strategy and operating decisions of the Combined Company upon the completion of the Mergers.

The future results of the Combined Company will suffer if the Combined Company does not effectively manage the increased scale of its operations, enhanced geographic footprint and its expansion opportunities following the Mergers.

Following the Mergers, the Combined Company will be significantly larger and more diverse than FPI and AFCO independently, with more than \$850 million in farmland assets comprised of approximately 133,000 acres of farmland in 16 states and more than 25 crop types. In addition, the Combined Company expects to continue to expand its operations through additional acquisitions of farmland properties, some of which may involve complex challenges. The future success of the Combined Company will depend, in part, upon the ability of the Combined Company to manage its expansion opportunities, which may pose substantial challenges for the Combined Company to integrate new operations into its existing business in an efficient and timely manner, and upon its ability to successfully monitor its operations, costs, regulatory compliance and relationships with tenant farmers, and to maintain other necessary internal controls. There is no assurance that the Combined Company's expansion or acquisition opportunities will be successful, or that the Combined Company will realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other expected benefits.

Risks Related to an Investment in the Combined Company's Common Stock

The market price of shares of the Combined Company's common stock may be affected by factors different from those affecting the price of shares of FPI common stock or AFCO common stock before the Mergers.

After the consummation of the Mergers, the results of operations of the Combined Company, as well as the market price of the Combined Company's common stock, may be affected by other factors

in addition to those currently affecting FPI's or AFCO's results of operations and the market prices of FPI common stock and AFCO common stock. These factors include:

- a greater number of shares of the Combined Company common stock outstanding as compared to the number of currently outstanding shares of FPI common stock or AFCO common stock;
- a greater concentration of specialty and permanent crops as compared to FPI's current portfolio, which is comprised primarily of row crop farmland;
- different stockholder and tenant bases;
- different agricultural markets; and
- different assets and capitalizations.

Accordingly, the historical market prices and financial results of FPI and AFCO may not be indicative of these matters for the Combined Company after the Mergers. For a discussion of the business of FPI and certain risks to consider in connection with investing in that business, see the documents incorporated by reference by FPI into this joint proxy statement/prospectus referred to under "Where You Can Find More Information; Incorporation by Reference." For a discussion of the business of AFCO, see "Information About AFCO" beginning on page 203.

The market price of the Combined Company's common stock may decline as a result of the Mergers.

The market price of the Combined Company's common stock may decline as a result of the Mergers if the Combined Company does not achieve the perceived benefits of the Mergers as rapidly or to the extent anticipated by financial or industry analysts, or the effect of the Mergers on the Combined Company's financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of the Company Merger, FPI stockholders and AFCO stockholders will own interests in a Combined Company operating an expanded business with a different mix of properties, risks and liabilities. Current stockholders of FPI and AFCO may not wish to continue to invest in the Combined Company, or for other reasons may wish to dispose of some or all of their shares of the Combined Company's common stock. If, following the effective time of the Company Merger, large amounts of the Combined Company's common stock are sold, or there is a perception in the market that such shares will be sold, the price of the Combined Company's common stock could decline.

After the Company Merger is completed, AFCO stockholders who receive shares of the Combined Company's common stock in the Company Merger will have different rights that may be less favorable than their current rights as AFCO stockholders.

After the effective time of the Company Merger, AFCO stockholders who receive shares of the Combined Company's common stock in the Company Merger will have different rights than they currently have as AFCO stockholders and these rights may be, or may be perceived to be, less favorable than their current rights as AFCO stockholders. For a detailed discussion of the significant differences between the current rights as a stockholder of AFCO and the rights as a stockholder of the Combined Company following the Company Merger, see "Comparison of Rights of Stockholders of FPI and Stockholders of AFCO" beginning on page 197.

The Combined Company cannot assure you that it will be able to continue paying dividends at or above the rate currently paid by FPI and AFCO.

Following the Company Merger, the stockholders of the Combined Company may not receive dividends at the same rate they received as stockholders of FPI and AFCO for various reasons, including the following:

- the Combined Company may not have enough cash to pay such dividends due to changes in the Combined Company's cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the Combined Company's board of directors, which reserves the right to change FPI's current dividend practices at any time and for any reason;
- the Combined Company may desire to retain cash to maintain or improve its credit ratings; and
- restrictions imposed by the terms of any current or future indebtedness that FPI or its subsidiaries may incur.

Stockholders of the Combined Company will have no contractual or other legal right to dividends that have not been declared by the Combined Company's board of directors.

The Combined Company may need to incur additional indebtedness in the future.

In connection with executing the Combined Company's business strategy following the Mergers, the Combined Company expects to evaluate the possibility of acquiring additional farmland properties and making strategic investments, and the Combined Company may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for the Combined Company, including hindering the Combined Company's ability to adjust to changing market, industry or economic conditions; limiting the Combined Company's ability to access the capital markets to refinance maturing debt or to fund acquisitions; limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses; making the Combined Company more vulnerable to economic or industry downturns, including interest rate increases; and placing the Combined Company at a competitive disadvantage compared to less leveraged competitors. If the Combined Company's increased indebtedness results in any of the foregoing or other adverse consequences, it could have a material adverse effect on the Combined Company's results of operations, financial condition, prospects, the market price of its common stock or its ability to pay dividends.

The Combined Company may incur adverse tax consequences if FPI or AFCO has failed or fails to qualify as a REIT for U.S. federal income tax purposes.

Each of FPI and AFCO has operated in a manner that it believes has allowed it to qualify as a REIT for U.S. federal income tax purposes under the Code, and each intend to continue to do so through the time of the Company Merger, and the Combined Company intends to continue operating in such a manner following the Company Merger. None of FPI, AFCO or the Combined Company has requested or plans to request a ruling from the IRS that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that holds its assets through a partnership (such as both FPI and AFCO do, and as the Combined Company will, following the Company Merger). The determination of various factual matters and circumstances not entirely within the control of FPI, AFCO or the Combined Company, as the case may be, may affect any such company's ability to qualify as a REIT. In order to qualify as a REIT, each of FPI, AFCO and the Combined Company must satisfy a number of requirements,

including requirements regarding the ownership of its stock and the composition of its gross income and assets. Also, a REIT must make distributions to stockholders aggregating annually at least 90% of its net taxable income, excluding any net capital gains.

If any of FPI, AFCO or the Combined Company loses its REIT status, or is determined to have lost its REIT status in a prior year, it will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its stockholders, because:

- such company would be subject to U.S. federal income tax on its net income at regular corporate rates for the years it did not qualify for taxation as a REIT (and, for such years, would not be allowed a deduction for dividends paid to stockholders in computing its taxable income);
- such company could be subject to the federal alternative minimum tax and possibly increased state and local taxes for such periods;
- unless such company is entitled to relief under applicable statutory provisions, neither it nor any "successor" company could elect to be taxed as a REIT until the fifth taxable year following the year during which it was disqualified; and
- for the ten years following re-election of REIT status (five years if such re-election is effective prior to August 8, 2016), upon a taxable disposition of an asset owned as of such re-election, such company would be subject to corporate level tax with respect to any built-in gain inherent in such asset at the time of re-election.

The Combined Company, through its ownership of Merger Sub, will inherit any liability with respect to unpaid taxes of AFCO for any periods prior to the Company Merger. In addition, as described above, if AFCO failed to qualify as a REIT as of the Company Merger but the Combined Company nonetheless qualified as a REIT, in the event of a taxable disposition of a former AFCO asset during the ten years following the Company Merger the Combined Company would be subject to corporate tax with respect to any built-in gain inherent in such asset as of the Company Merger. In addition, under the "investment company" rules under Section 368 of the Code, if both AFCO and FPI are "investment companies" under such rules, the failure of either FPI or AFCO to qualify as a REIT could cause the Company Merger to be taxable to FPI or AFCO, respectively, and its stockholders. As a result of all these factors, FPI's, AFCO's or the Combined Company's failure to qualify as a REIT could impair the Combined Company's ability to expand its business and raise capital, and would materially adversely affect the value of its stock. In addition, for years in which the Combined Company does not qualify as a REIT, it will not otherwise be required to make distributions to stockholders.

In certain circumstances, even if the Combined Company qualifies as a REIT, it and its subsidiaries may be subject to certain U.S. federal, state, and other taxes, which would reduce the Combined Company's cash available for distribution to its stockholders.

Even if each of FPI, AFCO and the Combined Company has, as the case may be, qualified and continues to qualify as a REIT, the Combined Company may be subject to U.S. federal, state or other taxes. For example, net income from the sale of properties that are "dealer" properties or crops, in each case to the extent not sold through a taxable REIT subsidiary, will be subject to a 100% tax. In addition, the Combined Company may not be able to make sufficient distributions to avoid income and excise taxes applicable to REITs. Alternatively, the Combined Company may decide to retain income it earns from the sale or other disposition of its property and pay income tax directly on such income. In that event, the Combined Company's stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, might not have any benefit from their deemed payment of such tax liability. If in 2016

FPI sells certain assets acquired from AFCO, FPI may owe corporate tax with respect to the appreciation in such assets as of January 1, 2012. The Combined Company and its subsidiaries may also be subject to U.S. federal taxes other than U.S. federal income taxes, as well as state and local taxes (such as state and local income and property taxes), either directly or at the level of its operating partnership, or at the level of the other companies through which the Combined Company indirectly owns its assets. Any U.S. federal or state taxes the Combined Company (or any of its subsidiaries) pays will reduce cash available for distribution by the Combined Company to stockholders. See "Material U.S. Federal Income Tax Consequences" beginning on page 158.

FPI and AFCO face other risks.

The foregoing risks are not exhaustive, and you should be aware that, following the mergers, the Combined Company will face various other risks, including those discussed in reports filed by FPI and AFCO with the SEC. See "Where You Can Find More Information; Incorporation by Reference" beginning on page 280.

Risks Related to AFCO's Business and Farms

The geographic concentration of AFCO's portfolio could cause it to be more susceptible to adverse weather, economic or regulatory changes or developments in the markets in which AFCO's farms are located than if it owned a more geographically diverse portfolio, which could materially adversely affect the value of AFCO's farms and its ability to lease its farms on favorable terms or at all.

As of June 30, 2016, 92.8% of the appraised value of AFCO's portfolio was located in California, Florida and Illinois, which exposes it to greater economic risks than if it owned a more geographically diverse portfolio. As of June 30, 2016, AFCO's farms in California, Illinois and Florida represent approximately 70.4%, 12.5% and 10.2%, respectively, of the total fixed and participating rent of AFCO's portfolio. In addition, subsequent to December 31, 2015, AFCO closed on the acquisition of several thousand acres of farmland in the Pacific USDA region and in California, specifically, which significantly increased its concentration in that region and state. The acquisition of a similar portfolio of geographically concentrated farms could further increase AFCO's concentration of farms in a geographic region. AFCO is particularly susceptible to developments or conditions in these states and/or the specific counties in which its farms are located, including adverse weather conditions (such as drought, windstorms, tornados, floods, hail and temperature extremes), transportation conditions (including conditions relating to truck and rail transportation and the 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 and environmental regulations). Any such developments or conditions could materially adversely affect the value of AFCO's farms and AFCO's ability to lease its farms on favorable terms or at all, which could materially adversely affect AFCO's financial condition, results of operations, cash flow and ability to make distributions to its stockholders.

AFCO's portfolio is concentrated in a limited number of farms, which subjects it to an increased risk of significant loss if any farm declines in value or if it is unable to lease a farm.

As of June 30, 2016, AFCO owned 22 farms located in six states across the U.S., with those that are not under development leased to a number of tenants. One consequence of a limited number of investments is that the aggregate returns AFCO realizes may be substantially adversely affected by the unfavorable performance of a small number of leases or a significant decline in the value of any single property. In addition, while AFCO does not intend to invest 35% or more of its total assets in a particular property at the time of investment, it is possible that, as the values of AFCO's farms change, one property may comprise in excess of 35% of the value of its total assets, further if AFCO were to acquire a portfolio of multiple farms, it is possible that the aggregate purchase could be more than

35% of AFCO's total assets. Lack of diversification will increase the potential that a single underperforming investment could have a material adverse effect on AFCO's cash flows and the price it could realize from the sale of AFCO's farms. Since AFCO's current real estate portfolio is concentrated across only six states, it is also currently vulnerable to any adverse change in the political or regulatory climate in those states or specific counties where AFCO's farms are located, which could materially adversely affect AFCO's portfolio and AFCO's ability to lease farms.

AFCO currently relies significantly on rent from its Golden Eagle Ranch and expects to rely significantly on rent from its recently acquired Kingfisher Ranch and the farms acquired through the Sun Dial acquisition, which are comprised of both fixed and participating rent, to generate a substantial portion of AFCO's rental income and, therefore, is more susceptible to adverse events with respect to these properties, which if such events occur could materially adversely affect AFCO's financial condition, results of operations and ability to make distributions to its stockholders.

As of December 31, 2015, one property in AFCO's portfolio, Golden Eagle Ranch, represented 41.4% of AFCO's 2015 fixed and participating rent received to date, which includes certain rent from participating leases for 2014 that was not recognized in 2014 but does not include certain rent to be paid under participating leases for 2015 that has not yet been paid or recognized. In the second half of 2015, AFCO acquired Kingfisher Ranch for a gross purchase price of approximately \$19.9 million and in January 2016, AFCO acquired a portfolio of farms for a gross purchase price of \$63.5 million (excluding transaction costs) in a sale leaseback transaction, with the ultimate tenant being the same tenant that is the tenant for AFCO's Golden Eagle Ranch, and AFCO expects to rely significantly on rent from these farms, both from base and participating rent, in the future. Therefore, the financial failure of these properties or of a tenant that leases portions of these properties is likely to have a material adverse effect on AFCO's financial condition, results of operations and ability to make distributions to its stockholders.

AFCO's investments in mature permanent crop farms with trees or vines that have a finite multi-year lifespan have a higher risk profile than AFCO's commodity and specialty/vegetable row crop farms because if mature permanent crops are damaged or diseased, or if the variety falls out of market favor, it requires multiple years and substantial capital to redevelop the farm, which could materially adversely affect AFCO's results of operations and its ability to make distributions to its stockholders.

As of June 30, 2016, 10 of AFCO's 22 farms, or approximately 36% of AFCO's tillable acres, were planted with a majority of mature permanent crops, and, in the future, AFCO expects to add to its investments in farmland used for mature permanent crops. This number will increase as AFCO's development farms focused on permanent crops become productive. Permanent crops have plant structures (such as trees, vines or bushes) that produce yearly crops without being replanted. Permanent crops involve more risk than specialty/vegetable and commodity row crops because permanent crops require more time and capital to plant. As a result, permanent crops are more expensive to replace and more susceptible to disease and poor weather. If a farmer loses a permanent crop to drought, flooding, fire or disease, there would generally 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.

The trees or vines on permanent crop farmland have finite productive lifespans and, as such, require replanting either in scheduled portions over time or in full towards the end of the lifespan as productivity declines and the property is no longer commercially viable. Additionally, permanent crop farmland 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 farmland 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.

AFCO currently leases many of its farms to family-owned farms and small and medium-sized independent farming operations, which may have limited financial and personnel resources and, therefore, may be less stable than larger companies or agribusinesses, which could impact AFCO's ability to generate rental revenue.

AFCO leases many of its farms to family-owned farms and medium-sized farming operations, which exposes it to a number of unique risks related to these entities. For example, family-owned farms and medium-sized agricultural businesses are more likely than larger farming operations to have difficulty making lease payments when they experience adverse events. They also tend to experience significant fluctuations in their operating results and to be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, AFCO's target tenants for its commodity row farms may face intense competition, including competition from companies with greater financial resources, which could lead to price pressure on crops that could lower AFCO's tenants' income, which in turn could impact AFCO's ability to generate rental revenue.

Furthermore, the success of a family-owned farm or medium-sized business may also depend on the management talents and efforts of one or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on AFCO's tenants and, in turn, on AFCO.

AFCO's shorter-term leases, which are less than three years in duration, make it more susceptible to decreases in prevailing market rental rates than would be the case if AFCO entered into longer-term leases, which could have a material adverse effect on AFCO's results of operations and ability to make distributions to its stockholders.

Currently, leases representing 19.9% of the fixed and participating rent received during the six months ended June 30, 2016 are set to expire in 2016 and will need to be renewed for 2017, some of which are for mature permanent farms with longer-term leases. For AFCO's six non-development farms that are farmed for specialty/vegetable and commodity row crops, AFCO's leases have terms of one to three years. Additionally, under the Merger Agreement, AFCO's ability to renew leases for longer than one year is subject to FPI's consent pending closing. As a result, AFCO will be required to frequently re-lease its farms upon the expiration of its leases, which will make AFCO more susceptible to declines in market rental rates than it would be if it were to enter into longer-term leases. As a result, decreases in the prevailing market rental rates in the geographic areas in which AFCO owns farms could have a material adverse effect on its results of operations and ability to make distributions to its stockholders.

AFCO's investments in mature permanent crop farms have long-term participating leases, which means that a portion of AFCO's cash flow attributable to participating rent is exposed to various risks, including risks related to declining crop prices, lower than average crop production due to alternate bearing crops and the risk of being unable to take advantage of prevailing market rates, which could have a material adverse effect on AFCO's results of operations and ability to make distributions to its stockholders.

AFCO currently has multi-year leases with fixed and participating components on all of its mature permanent crop farms. Participating leases may be either formulaic participating or crop share leases, and the gross revenue participation may vary based on crop prices or crop yield. In 2015, participating rent comprised approximately 45% of total fixed and participating revenues. Such leases may also provide for annual rent escalations based on a fixed dollar amount or a percentage per acre. By entering into long-term leases with participating rent components, AFCO is subject to various risks, including risks relating to declining crop prices and lower than average crop production due to inclement weather or alternate bearing crops, both of which could reduce the amount of rent it receives under such leases. As an example, AFCO's Kingfisher Ranch (a pistachio property acquired in the third quarter of 2015), experienced a weak 2015 production yield, and the tenant had to pursue insurance claims under its crop insurance policies which were settled in full in the fourth quarter of 2015. The full insurance settlement recognition in 2015 will result in little to no 2016 participating revenues at

Kingfisher Ranch for the 2015 crop. Additionally, AFCO's inability to increase AFCO's rental rates if prevailing land values or rental rates increase could have a material adverse effect on AFCO's results of operations and ability to make distributions to its stockholders.

AFCO's investments in development farmland may have inherent risks, including those relating to the longer period between development and commercial productivity for AFCO's permanent crop development farms, the cost of development, profitability of newly-developed farms, higher ongoing costs and delayed development, all of which could adversely impact AFCO's results of operations and cash flow.

AFCO's development farms involve risks that are different and, in most cases, greater than, the risks associated with AFCO's acquisition of fully developed and commercially productive farms. In addition to the risks associated with real estate investments in general as described elsewhere, the risks associated with AFCO's development farms include, among other things:

- significant time lag between commencement of development and commercial productivity for AFCO's permanent development farms subjects it to greater risks due to fluctuations in the general economy and adverse weather conditions;
- expenditure of money and time on development that may not be completed;
- inability to achieve rental rents per acre at a newly developed property to make the property profitable;
- higher than estimated costs, including labor and planting, irrigation or other related costs; and
- possible delay in development because of a number of factors, including weather, labor disruptions, regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Additionally, the time frame required for development and for the permanent development farms to become commercially productive means that AFCO may not be able to lease the farms and in turn generate revenue with respect to such farms for several years. If any of the above events occur, the development of such farms may hinder AFCO's growth and have a material adverse effect on its results of operations and cash flow. In addition, new development farms, regardless of whether or not they are ultimately productive, typically require substantial time and attention from management.

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

AFCO depends on its tenants to operate the farms it owns in a manner that generates revenues sufficient to allow them to meet their obligations to AFCO, including their obligations to pay rent and real estate taxes, maintain certain insurance coverage and maintain the farms generally. The ability of AFCO's tenants to fulfill their obligations under AFCO's 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, global supply of arable farmland, crop disease, pests, contaminants, and unfavorable or uncertain political, economic, business or regulatory conditions. AFCO does not typically receive financial statements from its tenants in the ordinary course of business. AFCO will be particularly susceptible to any decline in the profitability of its tenants' farming operations in connection with AFCO's leases that do not require 100% of the annual rent to be paid in advance of each spring planting season or if AFCO utilizes percentage rent clauses, such as leases for Kimberly Vineyard, Blue Heron Farms, Quail Run Vineyard, Golden Eagle Ranch, Falcon Farms, Kingfisher Ranch and the mature portion of Condor Ranch, pursuant to which a portion of the rent is a fixed base rent and the remaining amount of rent depends on crop yields and prices realized by AFCO's tenants. The portion of AFCO's revenue that AFCO derives from participating leases could be

adversely affected by a general economic downturn. Also, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. As a result of such circumstances, AFCO's operating results and financial condition would be materially adversely affected. AFCO can provide no assurances that, if a tenant defaults on its obligations to AFCO under a lease, it will be able to lease or re-lease that property on economically favorable terms in a timely manner, or at all. In addition, AFCO may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment.

The rents AFCO is able to negotiate for the farms it owns will be based, in part, on each tenant's expectation of the land's future productivity. To the extent AFCO leases to tenants whose operations become less profitable, prospective tenants may assume reduction in profitability is due, in part, to less productive land, which could make it more difficult to negotiate favorable rental rates for such farms. AFCO's tenants' profitability could also be adversely affected by declines in market prices for permanent crops, specialty/vegetable row crops or commodity row crops grown on AFCO's farms.

As a result, any downturn in the profitability of the farming operations of AFCO's tenants or a downturn in the agricultural industry as a whole could have a material adverse effect, and to the extent applicable, now or in the future, any tenant concentration in AFCO's portfolio may exacerbate any such potential impacts, on AFCO's financial condition, results of operations, cash flow and ability to make distributions to its stockholders.

AFCO may be subject to risks associated with its tenants' financial condition and liquidity position.

A majority of AFCO's leases do not require the full payment of rent in cash in advance of the planting season, which subjects it to credit risk exposure to AFCO's farm-operator tenants and the risks associated with farming operations, such as weather, commodity price fluctuations and other factors. AFCO will also be exposed to these risks with respect to participating leases for which a portion of the rent is based on a percentage of a tenant's farming revenues (such as AFCO's leases for Golden Eagle Ranch, Kimberly Vineyard, Blue Heron Farms, Falcon Farms, and Kingfisher Ranch and the mature portion of Condor Ranch and Quail Run Vineyard and including the leases AFCO entered into upon closing the Sun Dial acquisition in January 2016) and leases with terms greater than one year. Further, while separate leases exist for each farm, a tenant may be the tenant on multiple of AFCO's farms, which increases AFCO's exposure to that tenant's financial condition, as is the case with AFCO's tenant (including affiliates of the tenant) on Kimberly Vineyard who is also the tenant on Quail Run Vineyard, and AFCO's tenant (including affiliates of the tenant) on AFCO's Golden Eagle Ranch, who is the same tenant on AFCO's farmland properties acquired in the Sun Dial acquisition. AFCO also may not become aware of a tenant's financial distress until the tenant fails to make payments to AFCO when due, which may significantly reduce the amount of time AFCO has to evict the tenant and re-lease the property to a new tenant before the start of the spring planting season, and in the event of a tenant bankruptcy AFCO may not be able to terminate the lease. Further, AFCO expects that many of its future tenants will be independent farming operations, about which there is generally little or no publicly available operating and financial information. As a result, AFCO may not learn all of the material information it needs to know regarding these businesses through its investigations, making it possible that AFCO could lease farms to tenants that ultimately are unable to pay rent to AFCO. AFCO can provide no assurance that, in the event it terminates a lease in connection with a tenant bankruptcy, it will be able to lease or re-lease that property on economically favorable terms in a timely manner or at all, which could have a material adverse effect on AFCO's revenues and financial condition. In addition, in the future a significant number of AFCO's farms may be concentrated in a limited number of tenants, which would exacerbate the foregoing risks. Subsequent to December 31, 2015, AFCO closed on the acquisition of several thousand acres of mature permanent crop farmland in California, and concurrently entered into four new leases with affiliates of the sellers, who are also the

tenants at AFCO's Golden Eagle ranch, thereby substantially increasing AFCO's rent concentration to this particular tenant.

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

AFCO is subject to tenant credit risk. AFCO's 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 AFCO under their leases. A tenant in bankruptcy may be able to restrict AFCO's ability to collect unpaid rent and interest during the bankruptcy proceeding and may reject the lease. If a bankrupt tenant rejects a lease with AFCO, any claim AFCO might have for breach of the lease, excluding a claim against collateral securing the lease, would be treated as a general unsecured claim. AFCO's claim would likely be capped at the amount the tenant owed AFCO 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, AFCO's rights and remedies as a lender, compared to a landlord, will generally be more limited. In the event of a tenant bankruptcy, AFCO 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 its farms, avoid the imposition of liens on its farms or transition its farms to a new tenant. In the event of the tenant's breach of its obligations to AFCO or its rejection of the lease in bankruptcy proceedings, AFCO may be unable to locate a replacement tenant in a timely manner or on comparable or better terms. As a result, AFCO's financial condition, results of operations and ability to make distributions to its stockholders could be materially adversely affected if a tenant declares bankruptcy.

AFCO's Amended and Restated Sub-Advisory Agreement and relationship with AFCO's Agricultural Sub-Adviser may create conflicts of interest or the perception of such conflicts.

AFCO's Agricultural Sub-Adviser will receive a quarterly management fee from AFCO that is based on the appraised value of AFCO's portfolio, regardless of the revenues generated by AFCO's portfolio. For example, AFCO will pay its Agricultural Sub-Adviser a management fee for a specific period even if AFCO experienced a net loss during the same period. The management fee may not sufficiently incentivize AFCO's Agricultural Sub-Adviser to recommend properties and manage AFCO's properties in a manner that generates attractive risk-adjusted returns for AFCO. This could hurt both AFCO's ability to make distributions to its stockholders and the market price of its common stock.

In addition, AFCO will pay its Agricultural Sub-Adviser fees upon the acquisition and disposition of properties. In evaluating properties, the opportunity to earn fees upon the acquisition and disposition of properties may lead AFCO's Agricultural Sub-Adviser to place undue emphasis on acquiring and disposing properties in order to generate additional fees, or it could give rise to such perception. To the extent AFCO's Agricultural Sub-Adviser engaged in such behaviors or was perceived to have engaged in such behaviors, it could negatively impact the market price of AFCO's common stock.

If AFCO's farms do not have access to adequate water supplies or proper drainage, it could harm AFCO's ability to lease the farms or to farm them on favorable terms or at all, which could have a material adverse impact on the value of AFCO's farms and AFCO's results of operations and AFCO's ability to make distributions to its stockholders.

In order to lease farmland, there must be access to sufficient water as well as proper drainage to make the property suitable for farming. Additionally, the ability of AFCO's current tenants to make

their rental payments is also dependent upon sufficient water access and supply and proper drainage. Although AFCO believes the farms in AFCO's current portfolio have, and it expects to acquire farms with, sufficient water and access to proper drainage, AFCO's analysis and surveys of the water availability and AFCO's properties may be incorrect, and water availability and rights may be affected by federal, state and local government regulations, policies and practices as well as private sector rights, actions and inactions. On farms that presently have access to sufficient water, future regulatory or government actions could restrict the ability to draw upon those water sources. Accordingly, there may be a need to drill additional wells in the future, and AFCO would be required to obtain permits prior to drilling such wells, which are required by state and county regulations. Such permits may be difficult or costly to obtain, particularly in areas where there is a limited supply of water, such as the farming regions of California, and there can be no assurance that such additional wells would produce sufficient water supplies to support farming operations adequately. Similarly, AFCO's farms may be subject to governmental regulations relating to the quality and disposition of rainwater runoff or other water to be used for irrigation and in such case AFCO could incur costs in order to retain this water and comply with such regulations. In instances where sufficient water is not available to any of AFCO's farms, AFCO may need to purchase water, and such costs may be material. If AFCO is unable to obtain or maintain sufficient water supplies for its farms or if they do not have proper drainage, or the costs incurred to obtain or maintain the water supplies cause the farming operation to be less profitable, AFCO's ability to lease its farms for farming on favorable terms or at all would be significantly impaired, which could have a material adverse impact on the value of AFCO's farms and its results of operations and ability to make distributions to its stockholders.

Additionally, AFCO's current farms in the Midwest, including its Pleasant Plains Farm, Macomb Farm and Kane County Farms properties, and any farms that it invests in in the future that depend upon rain water rather than local water access, AFCO's tenants on that property may be susceptible to extended droughts, and any failure on the part of such tenants to procure adequate crop insurance would impact the ability of such tenants to make rental payments, which would have a material adverse impact on AFCO's ability to generate returns on AFCO's farms.

AFCO's farms may be subject to adverse weather conditions, seasonal variability or alternate bearing, crop disease and other contaminants, which may affect AFCO's tenants' ability to pay rent and thereby have a material adverse effect on AFCO's results of operations, financial condition and AFCO's ability to make distributions to stockholders.

AFCO's farms are vulnerable to adverse weather conditions, including drought, windstorms, tornados, floods 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 AFCO's tenants. In extreme cases, entire harvests may be lost in some geographic areas.

A significant portion of the U.S. has experienced severe drought conditions over the past few years, most recently in California. While this current drought has affected a majority of California, and could have negative short-term impacts on U.S. agriculture generally, including less crop production, increased competition for farmland due to distressed sales and lower farm income, it has yet to significantly adversely impact AFCO's farms. However, if the drought were to increase in severity or to continue for a more extended period of time, it could have a materially adverse impact on AFCO's farming operations on AFCO's farms in that region or longer-term effects on the U.S. agricultural industry generally. In addition, farms located near rivers or other water sources may be more susceptible to floods and drainage problems in periods of sustained rains. AFCO's farms may also be vulnerable to crop disease, pests and other contaminants. Damages to tenants' crops from drainage issues, crop disease or pests may vary in severity and effect, depending on the stage of production at the time of the drainage issue, infection or infestation, and, with respect to infestation or infection, the

type of treatment applied and climatic conditions. The costs to control infestations vary depending on the severity of the damage and the extent of the plantings affected. These drainage issues or infestations can increase the costs and decrease the revenues of AFCO's 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 AFCO's tenants.

AFCO utilizes participating leases for all of its mature permanent crop farms pursuant to which the amount of the rent depends, to a large extent, on crop yields and prices in regions where such arrangements are prevalent. Further, AFCO invests in property used for permanent crops, which are more expensive to replace and more susceptible to disease and poor weather than specialty/vegetable and commodity row crops because permanent crops produce yearly crops without being replanted. If a farmer loses a permanent crop to drought, flooding, fire or disease, there would generally 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 changes to the weather or soil. As a result, the risks associated with weather conditions, seasonal variability, crop disease and other contaminants are magnified in the case of permanent crops. Therefore, adverse weather conditions, seasonal variability, crop disease, pests and other contaminants could adversely affect AFCO's tenants' ability to continue to meet their obligations to AFCO and AFCO's ability to lease or re-lease farms on favorable terms, or at all, which could have a material adverse effect on the value of AFCO's farms, its results of operations, financial condition and its ability to make distributions to its stockholders.

The seasonal variability of the crops grown on AFCO's farms that are subject to participating leases or that may be subject to participating leases in the future could have a material adverse effect on AFCO's revenues, the timing of revenues and/or AFCO's ability to make distributions to its stockholders.

AFCO utilizes participating leases for all of AFCO's mature permanent farms, pursuant to which the amount of rent depends, to a certain extent, on crop yields and prices and the timing of receipt of crop revenue by AFCO's tenants. A crop season is characterized by cultivation and the growing of the crop during the course of the year, with the resultant harvest generally occurring in the fall. Rent derived from participating leases will generally be recorded in the fourth quarter of each calendar year in the case of citrus crops and the vineyards. However, in the case of tree nuts (almonds, walnuts, pistachios and pecans) and potentially in the case of certain other crops, AFCO's share of the crop revenue only generates income for AFCO at the point in time its tenant is irrevocably entitled to receive a payment for the delivery of the crop. AFCO's tenants receive the income from the sale of such crop generally when delivered by the packing house to the ultimate distributor. That process of selling tree nuts in different stages stretches over a period of months in the year following the harvest and the percentage of the crop sold in each quarter of the following year is not consistent from year to year. Accordingly, the seasonal variability of the crops grown on such farms can be expected to cause quarterly fluctuations in AFCO's revenues. For example, while Golden Eagle Ranch generated strong participating revenues in 2015 due to the strength of the 2014 crop production as well as high almond prices throughout the majority of 2015 when the 2014 crop was sold by the tenant, the 2015 crop production at Golden Eagle Ranch was significantly lower due to poor growing conditions and, when combined with a more recent decline in almond prices, is expected to result in substantially lower participating rents from Golden Eagle Ranch in 2016 than were recorded in 2015. Therefore, due to the year over year decline in participating rents expected from Golden Eagle Ranch during 2016, the Company expects 2016 operating revenues generated from same-property farms to be lower in 2016 than in 2015.

Additionally, AFCO's quarterly earnings may be adversely affected by factors outside AFCO's control, including weather conditions and poor economic factors in certain markets in which it

operates. This seasonality can be expected to cause periodic fluctuations in productivity, which in turn could affect a tenant's ability to meet its obligations to AFCO under its lease. AFCO can provide no assurances that its cash flows will be sufficient to offset any shortfalls that occur as a result of these fluctuations, and it may have to enter into short-term borrowings in certain quarters in order to make distributions to its stockholders, or it may not be able to make distributions at all. As a result, volatility in AFCO's financial performance resulting from the seasonal variability of the crops grown on AFCO's farms that are subject to participating leases could have a material adverse effect on AFCO's revenues and its ability to make distributions to its stockholders.

Future climate changes could materially adversely impact the value of AFCO's farms, AFCO's ability to lease AFCO's farms, AFCO's results of operations and AFCO's ability to make distributions to its stockholders.

In addition to the general risks that adverse weather conditions pose for the tenants of AFCO's farms and their subsequent ability to comply with the terms of their leases, including their ability to make their rental payments, the value of AFCO's farms and the operations of AFCO's tenants may be subject to risks associated with long-term effects of climate change. Some 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. The effects of climate change may be more significant along coastlines, such as in California and Florida, where 13 of AFCO's 18 farms are currently located and where future farms it acquires may be located (including the properties acquired from Sun Dial in January 2016), due to rising sea levels resulting from melting of polar ice caps, which could result in increased risk of coastal erosion, flooding, degradation in the quality of groundwater aquifers and expanding agricultural weed and pest populations. Such effects of climate change could make AFCO's farms less suitable for farming or other alternative uses, which could materially adversely impact the value of AFCO's farms, AFCO's ability to lease AFCO's farms or otherwise generate revenues from AFCO's farms, AFCO's results of operations and its ability to make distributions to its stockholders.

Agricultural technology enhancements, including genetic engineering, could adversely impact AFCO's anticipated returns, which in turn could have a materially adverse effect on AFCO's results of operations and financial condition.

Future advances in seed technology, genetic engineering, irrigation improvements and other agricultural technology enhancements may lead to higher crop production on existing farmland, which could put downward pressure on the demand for crops. As a result, AFCO could experience a reduction in its anticipated returns, which are, in part, based on certain assumptions regarding increased global demand for permanent crops and commodity crops and declining availability of farmland, which in turn could have a materially adverse effect on AFCO's results of operations and financial condition.

The market prices of the crops that AFCO's tenants may produce on AFCO's farms have experienced volatility in the past and may experience volatility in the future, which may affect AFCO's tenants' ability to pay rent and, accordingly, may have a material adverse impact on AFCO's financial condition, results of operations and its ability to make distributions to its stockholders.

Prices of crops are volatile and can fluctuate due to conditions that are difficult to predict, including global competition with respect to supply and resources, crop yields, technological developments, severe weather and crop disease in the major crop production regions worldwide, domestic and international demand for a given crop and for U.S. agricultural products generally, and changes in governmental policies regarding agriculture, energy, trade, fiscal and monetary issues, particularly with regard to subsidies and tariffs, any of which may result in either increases or decreases in the value of the crops that AFCO's tenants produce each year. Other material factors contributing to

fluctuations in crop prices are changes in global prosperity, fluctuations in foreign trade and export markets, and eruptions in military conflicts or civil unrest. Additionally, in periods of increased prices, global consumers may prefer low cost producers. Competition may also increase from alternative farming ventures, such as vertical farming (cultivation in skyscraper greenhouses or vertical structures) and hydroponic farming (cultivation in water with mineral supplements, without soil). Any of these factors could adversely affect AFCO's tenants' ability to meet their obligations to AFCO and AFCO's ability to lease or re-lease farms on favorable terms, or at all, which could have a material adverse impact on the value of AFCO's farms, AFCO's financial condition, results of operations and its ability to make distributions to its 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 adversely affect the value of AFCO's farms and AFCO's 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 U.S. contain a minimum volume of renewable fuel, including ethanol. These renewable fuel requirements have caused ethanol demand to increase, which in certain periods has had a positive impact on the price of corn and specialty/vegetable and commodity row 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 adversely impact the value of AFCO's farms and AFCO's ability to lease them on favorable terms, or at all, which would have a material adverse effect on AFCO's results of operations.

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, 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, and AFCO would also experience higher costs of its financing. A stronger U.S. dollar could also negatively impact exports, which could negatively impact AFCO's financial results.

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 crops. Moreover, a stronger U.S. dollar could affect the level of agricultural exports from the United States, potentially causing demand for exports to decline, which could negatively impact AFCO's financial results.

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) or changes in the value of the U.S. dollar are not accompanied by higher levels of farm income and rents, this could lead to declines in agricultural land values and a reduction in AFCO's profitability, either of which would have a material adverse effect on AFCO's business or results of operations, financial condition and its ability to make distributions to its stockholders. Furthermore, increases in interest rates would also increase AFCO's costs of borrowing money, which would negatively impact AFCO's financial condition, its results of operations, and its ability to make distributions to its stockholders.

AFCO may be subject to litigation or threatened litigation, which may divert management time and attention, require it to pay damages and expenses or restrict the operation of AFCO's business.

AFCO may be subject to litigation or threatened litigation, including claims relating to the actions of its tenants and otherwise in the ordinary course of business. In particular, AFCO is subject to the risk of complaints by its 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 AFCO's farms. Some of these claims may result in significant defense costs and potentially significant judgments against AFCO, some of which are not, or cannot be, insured against. Additionally, AFCO's business and financial condition has become more visible, which AFCO believes may result in threatened or actual litigation, including by competitors and other third parties. Whether or not any dispute actually proceeds to litigation, AFCO may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on AFCO's business. Any such resolution could involve the payment of damages or expenses by AFCO, which may be significant, or involve AFCO's agreement with terms that restrict the operation of its business. AFCO generally intends to vigorously defend itself; however, AFCO cannot be certain of the ultimate outcomes of those claims that may arise in the future. Resolution of these types of matters against AFCO may result in AFCO's having to pay significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could materially adversely impact AFCO's earnings and cash flows, thereby having a material adverse effect on AFCO's financial condition, results of operations, cash flows and its ability to make distributions to its stockholders. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of AFCO's insurance coverage and could expose it to increased risks that would be uninsured, and/or adversely impact AFCO's ability to attract officers and directors, which could materially adversely impact AFCO's results of operations, cash flows and its ability to make distributions on, and the value of, its common stock.

Liability for uninsured or underinsured losses could adversely affect AFCO's financial condition and revenues.

AFCO's farms may be damaged by adverse weather conditions and natural disasters, such as earthquakes, floods and tornados. AFCO's insurance may not be adequate to cover all damages or losses from these events, or AFCO may view it as not economically prudent to purchase insurance for certain types of losses. Should an uninsured loss or a loss in excess of insured limits occur, AFCO could lose its capital investment in the affected property, as well as anticipated future revenues from such property and, in the case of debt which is recourse to AFCO, AFCO would remain obligated for any mortgage debt or other financial obligations related to the property. If an insured liability to a third party were to occur, AFCO could incur the cost of defense and settlement with, or court ordered damages to, that third party. In addition, inflation, changes in building or zoning codes and ordinances, environmental considerations and other factors may also make it infeasible to use insurance proceeds to replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by AFCO might not be adequate to restore its economic position with respect to the affected property. Further, if any such loss is insured, AFCO may be required to pay a significant deductible on any claim for recovery of such a loss prior to its insurer being obligated to reimburse AFCO for the loss, or the amount of the loss may exceed AFCO's coverage for the loss, which could have a material adverse effect on AFCO's cash flow.

In addition, although it is expected that most of AFCO's leases will provide for at least a minimum fixed rental payment, AFCO has structured many leases to provide for some or all of the rent to be "percentage rent," determined as a percentage of the revenue from crops grown on land owned by AFCO. There currently is no commercially reasonable insurance available that provides coverage for 100% of the lost revenue resulting from damage to crops grown on land owned by AFCO.

AFCO's revenues could be materially adversely affected if damage to crops on land that are subject to leases with percentage rent provisions results in the revenue from such crops grown on such land to being diminished or lost.

Potential liability for environmental matters could adversely affect AFCO's financial condition.

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

- responsibility and liability for the cost of removal or remediation of hazardous substances released on AFCO's farms, which may include herbicides and pesticides, generally without regard to AFCO's 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.

AFCO's costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of AFCO's farms, or the failure to properly remediate a contaminated property, could adversely affect AFCO's ability to sell or lease the property or to borrow using the property as collateral. AFCO may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Additionally, AFCO could become subject to new, stricter environmental regulations, which could diminish the utility of AFCO's farms and have a material adverse impact on AFCO's results of operations.

The presence of endangered or threatened species on or near AFCO's acquired farms could restrict the activities of AFCO's tenants, which could in turn have a material adverse effect on the value of AFCO's farms and its results of operations.

Federal, state and local laws and regulations intended to protect threatened or endangered species could restrict certain activities on AFCO's farms. The size of any area subject to restriction would vary depending on the protected species at issue, the time of year and other factors, and there can be no assurance that such federal, state and local laws will not become more restrictive over time. If portions of AFCO's farms are deemed to be part of or bordering habitats for such endangered or threatened species that could be disturbed by the agricultural activities of AFCO's tenants, it could impair the ability of the land to be used for farming, which in turn could have a material adverse impact on the value of AFCO's assets and its results of operations.

AFCO may be required to permit the owners of the mineral rights on its farms to enter and occupy parts of the farms for the purposes of drilling and operating oil or gas wells, which could materially adversely impact the rental value of AFCO's farms.

Although AFCO owns the surface rights to its farms and expect to own the surface rights to farms that it acquires, other persons may own the rights to any minerals, such as oil and natural gas that may be located under the surfaces of these farms. Currently there is no mineral development on any of AFCO's farms, but AFCO can provide no assurances that third parties will not assert claims for mineral rights on its farms or that farms that it acquires in the future will not be subject to third-party mineral rights. To the extent that third parties have mineral rights on farms that AFCO currently owns or acquires in the future, AFCO expect that it would be required to permit third parties to enter such

farms for the purpose of drilling and operating oil or gas wells on the premises. AFCO will also be required to set aside a reasonable portion of the surface area of its farms to accommodate these oil and gas operations. The devotion of a portion of AFCO's farms 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 materially adversely impact the rents that AFCO receives from leasing these farms.

If AFCO's tenants fail to comply with applicable labor regulations, it could have an adverse effect on AFCO's tenants' ability to make rental payments to AFCO and, in turn, AFCO's ability to make distributions to its 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 AFCO's 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 materially adversely affect its ability to make its rental payments to AFCO and, in turn, AFCO's ability to make distributions to its stockholders.

New legislation or regulations affecting the U.S. agricultural sector, particularly with respect to water use in California, could materially adversely affect the value of AFCO's farms and results of operations.

If Congress implements new legislation or regulations affecting the U.S. agricultural sector, these changes could materially adversely affect the value of AFCO's farms and results of operations by requiring the reformulation of AFCO's business to meet new standards, including environmental standards. In the first quarter of 2014, The Agricultural Act of 2014, or the Act, was signed into U.S. law. It enacts a series of changes with respect to farmland, including, but not limited to, repealing direct payments and enhancing crop insurance. Given its recent passage, AFCO cannot determine what prospective effect, if any, the Act will have on U.S. farmland generally, and AFCO's business specifically. In addition, in 2014, California passed the Sustainable Groundwater Management Act of 2014 ("SGMA") which, among other objectives, seeks to achieve a sustainable balance in identified aquifers throughout California. The SGMA authorizes local and regional agencies to form groundwater sustainability agencies that will prepare and submit a groundwater sustainability plan ("GSP") to the California Department of Water Resources by either 2020 or 2022 (depending upon priority rating of the basin), with the intention of achieving groundwater sustainability within 20 years. The implementation of the GSPs, while not yet defined, may have an impact on the water availability for AFCO's farms and therefore impact crop production, which may adversely affect AFCO's revenues or land valuations; however, the details of such water management decisions will take time to finalize and implementation will vary by water district. Moreover, legislation or regulation implemented in the U.S. or elsewhere in the world relating to genetically modified crops could negatively impact the price of impacted crops, which could impact the lease rates AFCO can charge for its farms, thereby hurting AFCO's financial performance.