

Gladstone Land Corp  
Form S-11/A  
October 07, 2010

As filed with the Securities and Exchange Commission on October 7, 2010

Registration No. 333-168625

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

**Pre-effective Amendment No. 1**

to

**Form S-11**

**FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933  
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES  
GLADSTONE LAND CORPORATION**

*(Exact Name of Registrant as Specified in its Governing Instruments)*

**1521 Westbranch Drive, Second Floor**

**McLean, Virginia 22102**

**(703) 287-5800**

*(Address, Including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)*

**David Gladstone**

**Chairman and Chief Executive Officer**

**Gladstone Land Corporation**

**1521 Westbranch Drive, Second Floor**

**McLean, Virginia 22102**

**(703) 287-5800**

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*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

*Copies to:*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

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

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

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We and the selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION DATED OCTOBER 7, 2010**

**12,100,000 Shares of Common Stock**

This is our initial public offering of shares of common stock. We intend to elect and qualify to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2011 or December 31, 2012.

We are offering 11,350,000 of the shares to be sold in the offering. The selling stockholder identified in this prospectus is offering an additional 750,000 shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$14.00 and \$16.00. We intend to apply to have our common stock listed on The NASDAQ Global Market under the symbol LAND.

**See Risk Factors on page 14 to read about factors you should consider before buying shares of the common stock. Some risks include:**

Our company will focus on acquisition of agricultural property to be leased for annual crops, as well as other land and buildings, and may not be able to operate successfully.

Our real estate investments will include farms and other agricultural properties that may be difficult to sell or re-lease upon tenant defaults or early lease terminations.

We intend to set an initial annual distribution rate of \$0.72 per share, or 4.8% of the midpoint of the estimated initial public offering price range set forth above, which may have an adverse impact on the market price for our common stock.

We intend to use leverage through borrowings under mortgage loans on our properties, and potentially other indebtedness, which will result in risks, including restrictions on additional borrowings and payment of distributions.

We will be subject to corporate income tax liability for taxable years prior to our REIT election.

We may not qualify as a REIT for federal income tax purposes, which would subject us to federal income tax on our taxable income, thereby reducing funds available for distribution to stockholders.

We currently own only two farm properties. We have identified properties to potentially purchase with the net proceeds we will receive from this offering, although we have not yet entered into letters of intent or binding agreements to acquire these properties and there is no guarantee that we will be able to acquire any of them. As a result, investors will be unable to evaluate the manner in which the net proceeds are invested and the economic merits of projects prior to investment.

Highly leveraged tenants may be unable to make lease payments, which could adversely affect our cash available for distribution to our stockholders.

Conflicts of interest exist between us, our Adviser, its officers, directors, and their affiliates, which could result in decisions that are not in the best interests of our stockholders.

Our success will depend on the performance of our Adviser. If our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	Per Share	Total
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to the selling stockholder	\$	\$

To the extent that the underwriters sell more than 12,100,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,815,000 shares of common stock from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus, solely to cover over-allotments.

The underwriters expect to deliver the shares of common stock on \_\_\_\_\_, 2010.

**[Underwriters]**

The date of this prospectus is \_\_\_\_\_, 2010.

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**GLADSTONE LAND CORPORATION**

**TABLE OF CONTENTS**

<u>Prospectus Summary</u>	1
<u>The Offering</u>	11
<u>Risk Factors</u>	14
<u>Forward-looking Statements</u>	27
<u>Use of Proceeds</u>	28
<u>Distribution Policy</u>	29
<u>Capitalization</u>	33
<u>Dilution</u>	34
<u>Selected Financial Data</u>	35
<u>Management's Discussion and Analysis</u>	37
<u>Business and Properties</u>	51
<u>Our Approach to Investing</u>	61
<u>Our Properties</u>	70
<u>Properties Under Consideration</u>	72
<u>Our Real Estate Investing Experience</u>	73
<u>Our Structure</u>	75
<u>Management</u>	78
<u>Information Regarding the Board of Directors and Corporate Governance</u>	82
<u>Executive Compensation</u>	87
<u>Our Adviser</u>	92
<u>Conflicts of Interest</u>	96
<u>Certain Relationships and Related Party Transactions</u>	99
<u>Principal and Selling Stockholders</u>	99
<u>Description of our Capital Stock</u>	100
<u>Certain Provisions of Delaware Law and of our Certificate of Incorporation and Bylaws</u>	103
<u>Shares Eligible for Future Sale</u>	106
<u>Dividend Reinvestment Plan</u>	106
<u>Our Operating Partnership</u>	107
<u>Federal Income Tax Consequences of our Status as a REIT</u>	111
<u>Other Tax Consequences</u>	127
<u>Transfer and Dividend Paying Agent and Registrar</u>	130
<u>Underwriting</u>	131
<u>Experts</u>	134
<u>Legal Matters</u>	134
<u>Where You Can Find More Information</u>	134
<u>Financial Statements</u>	F-1

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## PROSPECTUS SUMMARY

*This summary highlights some information from this prospectus. It may not include all of the information that is important to you. To understand this offering fully, you should read the entire prospectus carefully, including the Risk Factors beginning on page 14. Unless the context suggests otherwise, when we use the term we or us or Company or Gladstone Land, we are referring to Gladstone Land Corporation and Gladstone Land Limited Partnership and their respective subsidiaries and not to our Adviser, Gladstone Management Corporation, or any of its other affiliated entities. When we use the term Adviser we are referring to our Adviser, Gladstone Management Corporation. Unless otherwise indicated, the information included in this prospectus assumes no exercise of the underwriters over-allotment option. All information in this prospectus gives effect to a 27,500-for-1 stock split effected in September 2010.*

### Corporate Overview

We are an externally-managed corporation that currently owns two farms in California that we lease to Dole Fresh Vegetables, Inc., or Dole Fresh, a wholly owned subsidiary of Dole Food Company, or Dole Foods, which is a guarantor of the leases. We intend to acquire more farmland to lease to farmers. We may elect to sell properties at such times as, for example, the land may be developed by others for urban or suburban uses. To a lesser extent, we may provide senior secured first lien mortgages to farmers for the purchase of farmland and properties related to farming. We expect that any mortgages we make would be secured by farming properties that have been in operation for over five years with a history of crop production and profitable farming operations. We expect that most of our future tenants and borrowers will be small and medium-sized farming operations that are unrelated to us. We may also acquire properties related to farming, such as coolers, processing plants, packing buildings and distribution centers. We intend to lease our properties under triple net leases, an arrangement under which the tenant maintains the property while paying us rent plus taxes and insurance. We have currently identified properties to potentially acquire, and we have provided non-binding expressions of interest to purchase each of these properties, but we have not yet entered into letters of intent or binding agreements to acquire these properties, and there is no guarantee that we will be able to acquire any of them. We have not identified any other specific properties to acquire or for which to invest in mortgages. We are actively seeking and evaluating properties in this regard. We may also provide ancillary services to farmers through our wholly owned subsidiary Gladstone Land Advisers, Inc.

We intend to elect to be taxed as a real estate investment trust, or REIT, under federal tax laws beginning with the year ending December 31, 2011 or December 31, 2012. Gladstone Management Corporation serves as our adviser and manages our real estate portfolio.

We were incorporated in 1997. Prior to 2004, we engaged in the owning and leasing of farmland, as well as an agricultural operating business whereby we engaged in the farming, contract growing, packaging, marketing and distribution of fresh berries, including commission selling and contract cooling services to independent berry growers. In 2004 we sold our agricultural operating business to Dole Fresh. Since 2004, our operations have consisted solely of leasing our farms located in Watsonville, California and Oxnard, California to Dole Fresh. We also lease a small parcel on our Oxnard farm to an oil company. We do not currently intend to enter the business of growing and marketing farmed products. However, if we do so in the future we will do so through a taxable REIT subsidiary.

### Industry Overview and Our Opportunity

#### *Land Acquisitions*

The United States Department of Agriculture, or USDA, estimates that in 2007 there were approximately 2.2 million farms on 922.1 million acres of land in the United States. This farmland includes land dedicated to any form of farming, including crop production. Out of this total, there were 1.7 million farms dedicated to producing crops, or cropland, on 406.4 million acres of land, resulting in an average of approximately 241 acres per farm.

The USDA's 2007 Census of Agriculture estimates the total annual market value of crops harvested in the United States at \$143.7 billion. According to the National Council of Real Estate Investment Fiduciaries, or NCREIF, Farmland Index, which tracks domestic farmland income and appreciation, U.S. farmland has yielded

average annualized returns of 13.9% between 2000 and 2009, compared to average annual returns of the S&P 500 index of 1.2% during this period. Furthermore, the USDA estimates that the value per acre of U.S. cropland has increased by 92.7% between 2000 and 2009.

Crops can be divided into two sub-categories, annual crops and permanent crops. Annual crops, such as strawberries, corn and soybeans, are planted and harvested annually. Permanent crops, such as oranges, almonds and grapes, have plant structures such as trees or vines that produce crops annually without being replanted. We intend to acquire and lease farmland for the primary purpose of harvesting annual crops, with less emphasis on permanent crop farms. We believe that annual crops are less expensive to replace and are less susceptible to disease and poor weather. Members of our management team have experience in leasing land that could be used for strawberries, raspberries, tomatoes, beans, peppers, lettuce and other annual crops. We believe that this strategy will provide us with an opportunity to lease our land holdings to a wide variety of different farmers from year to year and avoid the risk of owning land dedicated to a single crop.

We intend to lease our acquired properties to independent farmers with sufficient experience and capital to operate the farms without our financial assistance. We do not currently have resources to farm the land we intend to acquire but will seek prospective tenants who desire to continue farming the land after our acquisition of the property. We will seek to acquire cropland in multiple locations in the United States, including California, the Southeast and the Midwest, in order to provide diversification with respect to climate conditions and water sources.

Agricultural real estate for farming has certain features that distinguish it from other rental real estate. First, because almost all of the property consists of land, there is generally not a significant concern about risks associated with fires or other natural disasters that may damage the property. Second, we believe farmland has historically maintained relatively low vacancy rates when compared to other types of rental real estate, and we believe that it is rare for good farmland not to be leased and farmed. As a result, we believe there is a relatively low risk of being unable to lease our properties. Based on our own survey of real estate agents, a low percentage of the farmland in the areas in which we intend to purchase property has remained un-rented during the past ten years. Third, most farmland in the areas in which we intend to buy land is leased under short-term leases, and we plan to lease our property under short-term leases. By entering into short-term leases, we believe we will be in a position to increase our rental rates when the leases are renewed, if market conditions permit.

We also believe that much of the real estate we are seeking to acquire will be owned by families and farming businesses. According to the USDA, as of 2007, approximately 86% of farms in the United States were owned by families. Some of these farmers may wish to simultaneously lease their property back and continue their agricultural businesses under short-term net leases. Sellers in these sale-leaseback transactions can then use the proceeds to repay existing indebtedness, for growth of their farming operations, for retirement or in other business endeavors. Real estate that we acquire but do not simultaneously lease back to the seller may instead be leased to other independent farmers. While we expect to receive stable and potentially increasing rents from leasing land for these farming operations for many years, we believe that we may be able to sell this land at appreciated valuations in the future if these properties are sought to be developed for urban or suburban uses.

We believe that, as an investment, U.S. farmland has performed extremely well in recent years compared to other asset classes and has provided investors with a safe haven during the recent turbulence in the financial markets. In general, the farming sector has historically maintained low debt levels and, as a result, farm values and income have not experienced the extreme volatility seen in recent years in other asset classes.

We believe that farmland possesses the following attributes that may appeal to long-term investors:



Inflation drives up food costs and therefore the cost of agricultural commodities. As a result, the value of land that supports agricultural production should increase in correlation with inflation.

Farmland provides investors with another asset class to increase portfolio diversification. Historically, farmland values have not been significantly impacted by fluctuations in the stock and bond markets.

Large acreage farmland has historically experienced minimal vacancy loss and limited capital expense requirements, which results in relatively stable and predictable operating income.

These features increase our confidence in evaluating prospective individual farm acquisitions, including projecting rental income that may be generated from specific properties.

### ***Mortgage Loans***

We also expect to use approximately 2% of the net proceeds of this offering to make senior secured first lien mortgage loans to farmers for the purchase of farmland and properties related to farming. We believe that we can offer more favorable terms than the traditional farmland lenders against whom we expect to compete. Based on our own survey of agricultural lenders, these institutions are currently lending to purchasers of farmland in amounts up to approximately 65% of the appraised value of the land and at interest rates of 6% to 8%. Most, if not all, of these lenders require significant monthly payments of principal. Interest-only loans are not readily available to farmers.

We plan to enter this lending market by offering a greater maximum loan-to-value percentage for mortgaged land, but at slightly higher interest rates and with no principal amortization required. We believe this loan product will be attractive to two different groups. First, we believe there are farmers that have loans maturing that cannot locate refinancing opportunities. We will seek to make those loans at higher interest rates than offered by local banks. Second, certain buyers of farms may lack sufficient equity capital to purchase property with the relatively low loan-to-value loans offered by traditional farmland lenders. These buyers need to borrow more of the purchase price, and we intend to lend up to 80% of the purchase price because of our willingness to own the property if the buyer defaults on our loan. Banks usually do not intend to own property, and we do not intend to make a loan solely in order to own the property, as is the case with some vulture funds. Instead, we will advise all of our borrowers that non-payment may result in our seeking to own and control the collateral farmland. We also plan on offering interest-only loans to farmers that other lenders are currently not offering. Based on prevailing market rates, we currently intend to initially make these mortgage loans at interest rates of 6.5% to 8.5%.

When we make mortgage loans, we intend to provide borrowers with a conditional put option so they can sell their property to us at a predetermined fair market value. This option will provide borrowers with the assurance that they can sell their land to us if needed. We intend to apply the same underwriting criteria to our loans as we do when buying farmland to ensure the property meets our acquisition criteria if the borrower exercises the put option and sells us the property.

### **Our Current Properties**

We currently own an aggregate of 959 acres of farmland in California, of which approximately 737 acres is farmable.

We acquired 306 acres of farmland in Watsonville, California in 1997 for a purchase price of approximately \$4.4 million. As of July 2009, this property was independently appraised for \$9.2 million. We currently lease this farm to Dole Fresh on a net lease basis under a lease that expires on December 31, 2010. During 2009, we earned gross rental income on this property of \$405,000. We have in place a credit facility that is secured by a mortgage on this property. The credit facility currently has \$5,000 outstanding, the minimum amount required under the credit facility.

We acquired 653 acres of farmland in Oxnard, California in 1998 for a purchase price of approximately \$9.9 million. As of November 2009, this property was independently appraised for \$44.0 million. We currently lease this farm, including a cooler operation, a box barn, and other buildings, to Dole Fresh on a net lease basis under a lease that expires on December 31, 2013. During 2009, we earned gross rental income on this property of \$2.0 million. We have a mortgage on this property with a current principal balance of approximately \$11.5 million that matures in February 2021.

**Our Objectives and Our Strategy**

Our principal business objective is to maximize stockholder returns through a combination of monthly cash distributions to our stockholders, sustainable long-term growth in cash flows from operations and potential long-term appreciation in the value of our real estate properties. Our primary strategy to achieve our business objective is

to invest in and own a diversified portfolio of leased farmland, mortgages on farmland and properties related to farming operations. This strategy includes the following components:

*Owning Farms and Farm-Related Real Estate.* We intend to acquire farmland and lease it to independent farmers, including sellers who desire to continue farming the land after our acquisition of the property. We expect to hold acquired properties for many years and to generate stable and increasing rental income from leasing these properties.

*Acquiring Properties that Have the Potential to Appreciate in Value.* We intend to lease acquired properties over the long term. However, from time to time we may elect to sell one or more properties if we believe it to be in the best interests of our stockholders. Potential purchasers may include farmers, real estate developers desiring to develop the property or financial purchasers seeking to acquire property for investment purposes. Accordingly, we will seek to acquire properties that we believe also have potential for long-term appreciation in value.

*Owning Mortgages on Farms and Farm-Related Real Estate.* In circumstances where our purchase of farms and farm-related properties is not feasible, we may provide the owner of the property with a mortgage loan secured by the property along with an option to sell the property to us in the future at a predetermined price.

*Expanding Our Operations Beyond California.* While we will begin our farm acquisition operations in California, we expect that we will establish operations in other farming locations. We believe the southern part of the United States, such as Georgia and Florida, offers attractive locations for expansion. We also expect to seek farmland acquisitions in the Midwest and Mid-Atlantic and may do so in other areas in the United States and Canada.

*Using Leverage.* To make more investments than would otherwise be possible, we intend to borrow through loans secured by mortgages on our properties, and we may also borrow funds on a short-term basis or incur other indebtedness. While our governing documents will not restrict our borrowing, our board of directors currently intends to limit our debt-to-equity ratio to a maximum of 2-to-1.

*Joint Ventures.* Some of our investments may be made through joint ventures that will permit us to own interests in large properties without restricting the diversity of our portfolio.

## **Risk Factors**

You should carefully consider the matters discussed in the **Risk Factors** section of this prospectus beginning on page 14 prior to deciding to invest in our common stock. Some of the risks include:

We may not be able to successfully lease our agricultural properties for the production of annual crops.

We have identified specific properties to potentially purchase with the net proceeds from this offering, although we have not yet entered into letters of intent or binding agreements to acquire these properties, and there is no guarantee that we will be able to acquire any of them or other properties being evaluated.

Investors will be unable to evaluate the manner in which the net proceeds of this offering are invested and the economic merits of projects prior to investment.

Because our properties will be devoted to agricultural uses, we will be subject to risks associated with agriculture, such as adverse weather conditions and crop disease.

Conflicts of interest exist between us, our Adviser, its officers and directors and their affiliates, which could result in decisions that are not in the best interests of our stockholders.

We cannot guarantee when or if our properties will ever be converted to urban or suburban uses because our expectations regarding local urban or suburban development may prove to be incorrect or we may be unsuccessful in having our farmland rezoned for such uses. If we are unable to sell our agricultural real estate for urban or suburban development, it could limit the potential long-term appreciation of our properties.

Our expected distribution rate could have an adverse impact on the market price for our common stock.

Tenants may be unable to make lease payments, which would reduce our revenues and could adversely affect our cash available for distribution to our stockholders.

Our real estate investments will include farms that may be difficult to sell or re-lease upon tenant defaults or early lease terminations.

We have not yet identified any properties on which we will make mortgage loans. As a result, investors will be unable to evaluate the economic merits of the mortgage lending aspect of our plan.

The inability of a borrower to make interest and principal amortization payments would reduce our revenues and impact our ability to make distributions to our stockholders.

We intend to borrow funds secured by mortgages on our properties, and may incur other indebtedness, which could result in restrictions on additional borrowing and payment of distributions, our inability to make or refinance balloon payments and risk of loss of our equity upon foreclosure.

We may not qualify as a REIT for federal income tax purposes, which would subject us to federal income tax on our taxable income at regular corporate rates, thereby reducing the amount of funds available for paying distributions to stockholders.

We will be subject to corporate income tax liability for taxable years prior to our proposed REIT election.

Our success will depend on the performance of our Adviser. If our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.

We have identified material weaknesses in our internal controls over financial reporting, which resulted in our need to revise our previously issued financial statements.

## **Our Structure**

We intend to conduct our business through an Umbrella Partnership Real Estate Investment Trust, or UPREIT, structure in which our properties and the mortgage loans we make will be held directly or indirectly by our operating partnership, Gladstone Land Limited Partnership, which we refer to in this prospectus as our Operating Partnership. We are the sole general partner of our Operating Partnership and currently hold 100% of its outstanding limited partnership units. In the future, we may issue operating partnership units to third parties from time to time in connection with real property acquisitions. Holders of limited partnership units in our Operating Partnership will be entitled to redeem these units for cash or, at our election, shares of our common stock on a one-for-one basis at any time after the first anniversary of the completion of this offering. Farmland owners who exchange their farms for Operating Partnership units may be able to do so in a tax-free exchange under U.S. federal income tax laws.

As long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax to the extent that we distribute our net taxable income to our stockholders. We may utilize a taxable REIT subsidiary, or TRS, such as Gladstone Land Advisers, Inc., to own or manage our assets and to engage in other activities when we deem it necessary or advisable. The taxable income generated by any TRS would be subject to regular corporate income tax.

The following diagram depicts our expected ownership structure upon completion of this offering.



## **Our Adviser**

Gladstone Management Corporation, a Delaware corporation and a registered investment adviser, serves as our external management company, and we refer to it in this prospectus as our Adviser. Our Adviser is responsible for managing our real estate and loan portfolio on a day-to-day basis and for identifying properties and loans that it believes meet our investment criteria. Our Adviser does not directly acquire or lease real estate other than for its own use. Our Adviser does not and will not make loans to or investments in any company with which we have or intend to enter into a lease, and we will not co-invest with our Adviser in any real estate transaction.

Each of our officers, who are also officers of our Adviser, has significant experience in making investments in and lending to small and medium-sized businesses, including investing in real estate and making mortgage loans. In addition to our officers, our Adviser currently has 31 professionals who are involved in structuring, arranging and managing investments on behalf of companies advised by our Adviser. We also rely on outside professionals with agricultural experience that perform due diligence on the properties that we intend to acquire and lease. Our Adviser plans to hire additional investing professionals following this offering.

Under the terms of an amended Advisory Agreement with our Adviser that we will enter into upon completion of this offering, we will pay an annual base management fee equal to 2.0% of our total stockholders' equity, less the recorded value of any preferred stock we may issue and any uninvested cash proceeds of this offering, and an additional incentive fee based on funds from operations, or FFO. FFO is an operating measure for equity REITs that is defined as net income, excluding gains and losses from sales of property, plus depreciation and amortization of real estate assets. However, for purposes of calculating the incentive fee, FFO includes any realized capital gains or losses on our investments, less any dividends we may pay on any preferred stock we may issue, but FFO does not include any unrealized capital gains or losses on our investments. The incentive fee will reward our Adviser if our FFO for a particular calendar quarter, before giving effect to any incentive fee, exceeds a hurdle rate of 1.75% of our total stockholders' equity, less the recorded value of any preferred stock. Our Adviser will receive 100% of the amount of the pre-incentive fee FFO that exceeds the hurdle rate but is less than 2.1875% of our pre-incentive fee FFO for the quarter. Our Adviser will also receive an incentive fee of 20% of the amount of our pre-incentive fee FFO that exceeds 2.1875% each the quarter.

There are no acquisition fees paid to our Adviser when we acquire real estate, and we do not pay fees to our Adviser when we lease properties to tenants or when we sell real estate. Under this proposed compensation structure, we believe our Adviser will be incentivized to generate stable and consistent FFO to pay our monthly



dividends and its incentive fee. We also have entered into a trademark agreement with our Adviser that permits us to use the trademarked diamond-shaped G and Gladstone logo for a nominal fee.

### **Our Administrator**

We will enter into an amended Administration Agreement with Gladstone Administration, LLC, which we refer to in this prospectus as our Administrator, upon the completion of this offering. Under this agreement, we will pay separately for our allocable portion of our Administrator's overhead expenses in performing its obligations including, but not limited to, rent and our allocable portion of the salaries and benefits expenses of its employees. We expect that these employees of our Administrator will include our chief financial officer, chief compliance officer, treasurer, internal counsel, investor relations officer and their respective staffs.

### **Compensation of Our Adviser and Our Administrator**

Set forth below is an estimate of all proposed compensation, fees, profits and other benefits, including reimbursement of out-of-pocket expenses, that our Adviser and our Administrator may receive in connection with this offering and our ongoing operations. We do not expect to make any payments to any other affiliates of our Adviser.

#### **Type of Compensation (Recipient)**

#### **Description and Determination of Amount**

#### **Estimated Amount**

#### *Offering*

Reimbursement of Offering Expenses (Adviser)	Offering expenses include all estimated expenses, other than underwriting discount, to be paid by us in connection with this offering, including our legal, accounting, printing, mailing and filing fees and other accountable offering expenses. To the extent that our Adviser pays our offering expenses, we will reimburse our Adviser for these amounts.	Up to \$1.3 million
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#### *Ongoing Operations*

Annual Base Management Fee (Adviser)	2.0% of our total stockholders' equity less the recorded value of any preferred stock outstanding and any uninvested cash proceeds from this offering.	Actual amounts will be dependent upon the rate of property acquisitions and mortgage loans following the completion of this offering and therefore cannot be determined at this time. However, we estimate that the base management fee will be approximately \$3.3 million per year once the proceeds of this offering have been
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Quarterly Incentive Fee (Adviser)	We will pay our Adviser an incentive fee with respect to our pre-incentive fee FFO in each calendar quarter as follows:	substantially fully invested in properties and mortgage loans.  Actual amounts will be dependent upon the amount of FFO we generate from time to time.
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Type of Compensation (Recipient)	Description and Determination of Amount	Estimated Amount
	<p>no incentive fee in any calendar quarter in which our pre-incentive fee FFO does not exceed the hurdle rate of 1.75% (7% annualized);</p> <p>100% of the amount of the pre-incentive fee FFO that exceeds the hurdle rate, but is less than 2.1875% in any calendar quarter (8.75% annualized); and</p> <p>20% of the amount of our pre-incentive fee FFO that exceeds 2.1875% in any calendar quarter (8.75% annualized)</p>	
Reimbursement of Acquisition Expenses (Adviser)	Acquisition expenses include customary third-party acquisition expenses such as legal fees and expenses, costs of appraisals, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the acquisition of real estate and reserves for capital improvements and maintenance and repairs of properties. To the extent that our Adviser pays our acquisition expenses incurred in the process of acquiring our properties or loans, we will reimburse our Adviser for such acquisition expenses.	Actual amounts will be dependent upon the amount of net proceeds we use for acquisitions (rather than for the other purposes enumerated in this prospectus) and the expenses incurred, and therefore cannot be estimated at the present time.
Allocation of Administrator Overhead Expenses (Administrator)	We will pay our Administrator for our allocable portion of the Administrator's overhead expenses in performing our obligations, including, but not limited to, rent for employees of the Administrator, and our allocable portion of the salaries and benefits expenses of our chief financial officer, chief compliance officer, treasurer, legal counsel and their respective staffs. Our allocable portion is derived by multiplying the Administrator's total allocable expenses by the percentage of our total assets at the beginning of each quarter in comparison to the total assets of all companies for whom our Administrator provides services.	Actual amounts will be dependent upon the expenses incurred by our Administrator and our total assets relative to the assets of the other entities for whom our Administrator provides services and, therefore, cannot be determined at the present time. However, we estimate that these expenses will be approximately \$340,000 per year after the first twelve months following this offering.

**Our Other Affiliates and Potential Conflicts of Interest**

*Gladstone Commercial Corporation.* All of our directors and executive officers are also affiliated with Gladstone Commercial Corporation, a publicly held REIT whose common stock is traded on the NASDAQ Global Select Market under the trading symbol GOOD. Gladstone Commercial invests primarily in commercial real estate and selectively makes long-term commercial and industrial mortgage loans. Gladstone Commercial does not invest in or own agricultural real estate or make loans secured by agricultural real estate and, therefore, Gladstone Commercial will not compete with us for investment opportunities.

*Gladstone Capital Corporation.* All of our directors and each of our executive officers other than our chief financial officer are also affiliated with Gladstone Capital Corporation, a publicly held closed-end management investment company whose common stock is traded on the NASDAQ Global Market under the trading symbol

**GLAD.** Gladstone Capital makes loans to and investments in small and medium-sized businesses. It does not buy or lease real estate and does not lend to agricultural enterprises and, therefore, Gladstone Capital will not compete with us for investment opportunities. Gladstone Capital will not make loans to or investments in any company with which we have or intend to enter into a lease.

*Gladstone Investment Corporation.* All of our directors and each of our executive officers other than our chief financial officer are also affiliated with Gladstone Investment Corporation, a publicly held closed-end management investment company whose common stock is traded on the NASDAQ Global Market under the trading symbol **GAIN**. Gladstone Investment makes loans to and investments in small and medium-sized businesses in connection with buyouts and other recapitalizations. It does not buy or lease real estate and does not lend to agricultural enterprises and, therefore, Gladstone Investment will not compete with us for investment opportunities. Gladstone Investment will not make loans to or investments in any company with which we have or intend to enter into a lease.

We do not presently intend to co-invest with Gladstone Capital, Gladstone Commercial, Gladstone Investment in any business. However, in the future it may be advisable for us to co-invest with one of these companies. If we decide to change our policy on co-investments with affiliates, we will seek approval of this decision from our independent directors.

Many of our officers are also officers or directors of our Adviser, Gladstone Capital, Gladstone Commercial and Gladstone Investment. Our Adviser and its affiliates, including our officers, may have conflicts of interest in the course of performing their duties for us. These conflicts may include:

Our Adviser may realize substantial compensation on account of its activities on our behalf;

Our agreements with our Adviser are not arm's-length agreements;

We may experience competition with our affiliates for financing transactions; and

Our Adviser and other affiliates could compete for the time and services of our officers and directors.

## **Our Tax Status**

We were taxed as a Subchapter C corporation for our taxable years ended December 31, 1997 through December 31, 2009 and we intend to be taxed as a Subchapter C corporation for the taxable year ending December 31, 2010 and possibly the year ending December 31, 2011. We currently intend to elect to be taxed as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2011 or December 31, 2012. To qualify as a REIT, we may not have, at the end of any taxable year for which we first elect REIT status and thereafter, any undistributed earnings and profits accumulated in any non-REIT taxable year. Our non-REIT earnings and profits include any earnings and profits we accumulated before the effective date of our REIT election. As of June 30, 2010, we estimate that our non-REIT accumulated earnings and profits were approximately \$4.8 million. This amount does not include an additional \$4.6 million of non-REIT earnings and profits associated with a deferred intercompany gain that we will recognize immediately prior to our REIT election. We intend to distribute our non-REIT earnings and profits to stockholders of record after the completion of this offering but before December 31 of the first year for which we elect REIT status. These distributions will be in addition to distributions we will be required to make after we elect REIT status in order to satisfy the REIT distribution test discussed below and to avoid incurring tax on our undistributed income.

We believe that, following the completion of this offering, our making of an election to be taxed as a REIT, and any distribution of non-REIT earnings and profits, we will operate in conformity with the requirements for qualification

and taxation as a REIT. We expect to receive an opinion of counsel to the effect that, subject to our distribution of all non-REIT earnings and profits, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code and that our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT commencing with the first taxable year for which we elect to so qualify. It is possible that the Internal Revenue Service, or IRS, may challenge our proposed qualification

as a REIT or attempt to recharacterize the nature of our assets or income. We do not intend to seek a ruling from the IRS as to the foregoing matters. It must be emphasized that the opinion of our counsel, which is not binding on the IRS or any court, is based on various assumptions and certain representations made by our management relating to our organization, assets, income and operations, including, without limitation, the amount of rental income that we will receive from personal property.

To maintain our qualification as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net income, excluding net capital gains, to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax on our net income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property, and the net income of any of our subsidiaries that qualifies as a TRS will be subject to taxation at normal corporate rates. In addition, we will be subject to regular corporate income tax for the taxable years ending prior to our qualification as a REIT. See U.S. Federal Income Tax Considerations.

It is also possible that the regulations of the IRS relating to REITs might change in the future in a manner that might make it difficult or impossible for us to continue to qualify as a REIT.

### **Corporate Information**

We were incorporated in California in 1997 and reincorporated in Delaware in 2004. Our executive offices are located at 1521 Westbranch Drive, Second Floor, McLean, Virginia 22102. We also maintain an office in Oxnard, California. Our telephone number at our executive offices is (703) 287-5800 and our corporate website will be [www.GladstoneLand.com](http://www.GladstoneLand.com). The information contained on, or accessible through, our website is not incorporated into this prospectus.

### The Offering

Common stock offered by us(1)(2)	11,350,000 shares
Common stock offered by the selling stockholder(3)	750,000 shares
Common stock retained by the selling stockholder	2,000,000 shares
Common stock to be outstanding after this offering(1)	14,100,000 shares
Use of proceeds	To purchase agricultural real estate to be leased for farming and, to a lesser extent, to make loans secured by mortgages on agricultural real estate.
Proposed NASDAQ Listing Symbol	LAND
Distribution Policy	Consistent with our objective of qualifying as a REIT, we expect to pay monthly distributions and to distribute annually at least 90% of our REIT taxable income. We expect to commence monthly distributions upon the completion of this offering. Our Board of Directors will determine the amount of distributions we will pay, and our initial annual distribution rate is expected to be \$0.72 per share, which is 4.8% of the midpoint of the range indicated on the cover of this prospectus. We also intend to distribute non-REIT accumulated earnings and profits to stockholders of record after the completion of this offering but before December 31 of the first year for which we elect to be treated as a REIT.
Our Adviser	Pursuant to the terms of an amended and restated advisory agreement, our Adviser will identify and select our real estate investments and manage our portfolio.

- (1) Excludes 1,815,000 shares of our common stock issuable pursuant to the over-allotment option granted to the underwriters.
- (2) Up to 30,000 shares of our common stock, or approximately 0.25% of the shares being offered, excluding shares issuable pursuant to the over-allotment option granted to the underwriters, will be reserved for sale by the underwriters to our directors, officers and employees and certain associated persons at the public offering price less the underwriting discount. For more information, see Underwriting Directed Shares.
- (3) Mr. Gladstone intends to sell these shares in the offering in order for us to comply with REIT qualification requirements.



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The number of shares of our common stock to be outstanding after this offering is based on 2,750,000 shares of common stock outstanding as of           , 2010.

Unless otherwise indicated, all information in this prospectus reflects and assumes the following:

a 27,500-for-1 stock split effected on September 30, 2010;

no exercise by the underwriters of their over-allotment option to purchase up to 1,815,000 additional shares of our common stock in this offering;

an initial public offering price of \$15.00, which is the midpoint of the range listed on the cover page of this prospectus; and

the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering.

### Summary Consolidated Financial Data

You should read the summary financial information below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements, notes thereto and other financial information included elsewhere in this prospectus. The summary consolidated financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 are derived from audited financial statements included elsewhere in this prospectus. The summary consolidated financial data as of December 31, 2007 is derived from audited financial statements not included in this prospectus. The summary consolidated financial data as of and for the six months ended June 30, 2010 and 2009 are derived from unaudited financial statements included elsewhere in this prospectus. Our results of operations are not necessarily indicative of results of operations that should be expected in any future periods.

	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,		
	2010 (Unaudited)	2009 (Unaudited)	2009	2008	2007
Rental income	\$ 1,196,634	\$ 1,196,634	\$ 2,418,111	\$ 2,418,111	\$ 2,418,111
Net income	275,313	303,725	654,761	760,253	857,384
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)(1)	1,036,956	1,043,171	2,119,977	2,345,583	2,536,017
FFO(2)	432,237	460,649	968,608	1,075,798	1,173,048
Assets	20,655,379	21,128,789	20,096,184	21,051,214	24,737,513
Liabilities	12,392,956	12,492,714	12,109,074	12,718,865	12,921,494
Stockholder's Equity	8,262,423	8,636,075	7,987,110	8,332,349	11,816,019

- (1) EBITDA is a key financial measure that our management uses 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 accounting principles generally accepted in the United States of America, or 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. A reconciliation of net income to EBITDA is set forth in the table below.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

EBITDA does 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 does not reflect any cash requirements for these replacements; and

Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, 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 only supplementally.

A reconciliation of our net income to our EBITDA is as follows:

	<b>For the Six Months Ended</b>		<b>For the Years Ended December 31,</b>		
	<b>June 30,</b>		<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>2010</b>	<b>2009</b>			
	<b>(Unaudited)</b>	<b>(Unaudited)</b>			
Net income	\$ 275,313	\$ 303,725	\$ 654,761	\$ 760,253	\$ 857,384
Add:					
Interest expense	352,101	369,048	727,249	793,477	812,023
Income taxes	252,618	213,474	424,120	476,308	550,946
Depreciation expense	156,924	156,924	313,847	315,545	315,664
<b>EBITDA</b>	<b>\$ 1,036,956</b>	<b>\$ 1,043,171</b>	<b>\$ 2,119,977</b>	<b>\$ 2,345,583</b>	<b>\$ 2,536,017</b>

- (2) Funds From Operations, or FFO, is a term approved by the National Association of Real Estate Investment Trusts, or NAREIT.

FFO was developed by the NAREIT as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO, as defined by NAREIT, is net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash flows from operating activities in accordance with GAAP and should not be considered an alternative to either net income as an indication of our performance or cash flow from operations as a measure of liquidity or ability to make distributions. Comparison of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

Basic funds from operations per share, or Basic FFO per share, and diluted funds from operations per share, or Diluted FFO per share, are equal to FFO divided by our weighted average common shares outstanding and FFO divided by our weighted average common shares outstanding on a diluted basis, respectively, during a period. We believe that FFO, Basic FFO per share and Diluted FFO per share are useful to investors because they provide investors with a further context for evaluating our FFO results in the same manner that investors use net income and earnings per share, or EPS, in evaluating operating results. In addition, since most REITs provide FFO, Basic FFO and Diluted FFO per share information to the investment community, we believe these are useful supplemental measures for comparing us to other REITs. We believe that net income is the most directly comparable GAAP measure to FFO, basic EPS is the most directly comparable GAAP measure to Basic FFO per share, and diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share.

The following table provides a reconciliation of our FFO to the most directly comparable GAAP measure, net income, and a computation of Basic FFO and Diluted FFO per weighted average common share and basic and diluted net income per weighted average common share:

	<b>For the Six Months Ended</b>		<b>For the Years Ended December 31,</b>		
	<b>June 30,</b>		<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>2010</b>	<b>2009</b>			

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	(Unaudited)	(Unaudited)			
Net income	\$ 275,313	\$ 303,725	\$ 654,761	\$ 760,253	\$ 857,384
Add: Real estate depreciation and amortization	156,924	156,924	313,847	315,545	315,664
FFO	\$ 432,237	\$ 460,649	\$ 968,608	\$ 1,075,798	\$ 1,173,048
Weighted average shares outstanding basic & diluted	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
Basic & Diluted net income per weighted average common share	\$ 0.10	\$ 0.11	\$ 0.24	\$ 0.28	\$ 0.31
Basic & Diluted FFO per weighted average common share	\$ 0.16	\$ 0.17	\$ 0.35	\$ 0.39	\$ 0.43

## RISK FACTORS

*Before you invest in our securities, you should be aware that your investment is subject to various risks, including those described below. You should carefully consider these risk factors together with all of the other information included in this prospectus before you decide to purchase our securities.*

### Risks Relating To Our Business

***We may not be successful in identifying and consummating suitable acquisitions that meet our investment criteria, which may impede our growth and negatively affect our results of operations.***

In 2004, we reoriented our operations and began to implement a strategy of leasing agricultural land for the farming of annual crops, primarily strawberries. We own two farm properties in California that we lease to Dole Fresh Vegetables, Inc., or Dole Fresh. We intend to use the net proceeds of this offering to invest in and own more net leased farmland. We expect that most of our future tenants will be small and medium-sized farming operations about which there is generally little or no publicly available operating and financial information. As a result, we will rely on our Adviser to perform due diligence investigations of these tenants, their operations and their prospects. We may not learn all of the material information we need to know regarding these businesses through our investigations. As a result, it is possible that we could lease properties to tenants or make mortgage loans to borrowers that ultimately are unable to pay rent or interest to us, which could adversely impact the amount available for distributions.

Because of the reorientation of our business focus, we are subject to many of the business risks and uncertainties associated with any new business enterprise. Our failure to operate successfully or profitably or to accomplish our investment objectives could have a material adverse effect on our ability to generate cash flow to make distributions to our stockholders, and the value of an investment in our common stock may decline substantially or be reduced to zero.

***Although we have identified properties to potentially purchase with a portion of the net proceeds from this offering, there can be no assurance that we will be able to enter into definitive agreements to purchase these properties or to complete these acquisitions. Therefore, investors will be unable to evaluate the manner in which the net proceeds are invested and the economic merits of projects prior to investment.***

At the time of this offering, we have identified \_\_\_\_\_ specific properties to potentially purchase with a portion of the net proceeds we will receive from this offering. See Properties Under Consideration. However, we have not yet completed our due diligence investigations of any of these properties, nor have we entered into letters of intent or definitive agreements to purchase any of these properties. As a result, there can be no assurance that we will be successful in purchasing these or any other properties. Factors that could cause us not to purchase one or more of these identified properties include our potential inability to agree to definitive purchase terms for the properties with the prospective sellers, and our discovery of problems with the properties in our due diligence investigations. Additionally, besides these initial \_\_\_\_\_ properties, we have not yet identified any other properties to purchase. As a result, investors in the offering will be unable to evaluate the manner in which the net proceeds are invested and the economic merits of projects prior to investment. Additionally, our Adviser will have broad authority to make acquisitions of properties that it may identify in the future. There can be no assurance that our Adviser will be able to identify or negotiate acceptable terms for the acquisition of properties that meet our investment criteria, or that we will be able to acquire such properties. We cannot assure you that acquisitions made using the net proceeds of this offering will produce a return on your investment. Any significant delay in investing the net proceeds of this offering would have a material adverse effect on our ability to generate cash flow and make distributions to our stockholders.

*Our distribution rate may have an adverse effect on the market price of our common stock.*

We intend to set an initial annual distribution rate at \$0.72 per share, which is 4.8% of the midpoint of the range indicated the cover page of this prospectus. However, because we only own two properties as of the date of this prospectus, we currently do not expect to generate sufficient cash flows from operations to make distributions at this level. Our failure to rapidly invest the net proceeds of this offering or to make investments at acceptable rates of

return could result in us using a significant portion of the proceeds of this offering for the purpose of making these distributions or could result in our fixing a distribution rate that is not competitive with alternative investments, which could adversely affect the market price for our common stock.

***Some of our tenants may be unable to pay rent, which could adversely affect our cash available to make distributions to our stockholders or otherwise impair the value of your investment.***

We expect that a single tenant will occupy each of our properties and, therefore, the success of our investments will be materially dependent on the financial stability of these tenants. Some of our tenants may have been recently restructured using leverage acquired in a leveraged transaction or may otherwise be subject to significant debt obligations. Tenants that are subject to significant debt obligations may be unable to make their rent payments if there are adverse changes in their businesses or in general economic conditions. Tenants that have experienced leveraged restructurings or acquisitions will generally have substantially greater debt and substantially lower net worth than they had prior to the leveraged transaction. In addition, the payment of rent and debt service may reduce the working capital available to leveraged entities and prevent them from devoting the resources necessary to remain competitive in their industries. In situations where management of the tenant will change after a transaction, it may be difficult for our Adviser to determine with certainty the likelihood of the tenant's business success and of it being able to pay rent throughout the lease term. These companies are more vulnerable to adverse conditions in their businesses or industries, economic conditions generally and increases in interest rates.

Any lease payment defaults by a tenant could adversely affect our cash flows and cause us to reduce the amount of distributions to stockholders. In the event of a default by a tenant, we may also experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-leasing our property.

***Some of our tenants could be susceptible to bankruptcy.***

In addition to the risk of tenants being unable to make regular rent payments, certain of our tenants who may depend on debt and leverage could be especially susceptible to bankruptcy in the event that their cash flows are insufficient to satisfy their debt. Any bankruptcy of one of our tenants would result in a loss of lease payments to us, as well as an increase in our costs to carry the property.

In addition, under bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of continuing or terminating any unexpired lease. If a bankrupt tenant terminates a lease with us, any claim we might have for breach of the lease, excluding a claim against collateral securing the lease, would be treated as a general unsecured claim. Our claim would likely be capped at the amount the tenant owed us for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year of lease payments or 15% of the remaining lease payments payable under the lease, but in no case more than three years of lease payments. In addition, a bankruptcy court could recharacterize a net lease transaction as a secured lending transaction. If that were to occur, we would not be treated as the owner of the property, but might have additional rights as a secured creditor. This would mean our claim in bankruptcy court would only be for the amount we paid for the property, which could adversely impact our financial condition.

***Because we expect to enter primarily into short-term leases, we will be more susceptible to any decreases in prevailing market rental rates than would be the case with long-term leases.***

We intend to primarily enter into leases with independent farmers having terms of one to two years. As a result, we will be required to frequently re-lease our properties upon the expiration of our leases. This will subject our business to near term fluctuations in market rental rates, and we will be more susceptible to declines in market rental rates than we would be if we were to enter into longer term leases. As a result, any decreases in the prevailing market rental rates



in the geographic areas in which we own properties could have a material adverse effect on our results of operations and cash available for distribution to stockholders.

***Our real estate investments will consist of agricultural properties that may be difficult to sell or re-lease upon tenant defaults or early lease terminations.***

We intend to focus our investments on agricultural properties. These types of properties are relatively illiquid compared to other types of real estate and financial assets. This illiquidity could limit our ability to quickly dispose of properties in response to changes in economic or other conditions. With these kinds of properties, if the current lease is terminated or not renewed, we may be required to renovate the property to the extent we have buildings on the property, or to make rent concessions in order to lease the property to another tenant or sell the property. In addition, in the event we are forced to sell the property, we may have difficulty finding qualified purchasers who are willing to buy the property. These and other limitations may affect our ability to sell or re-lease properties without adversely affecting returns to our stockholders.

***If our properties do not have access to adequate water supplies, it could harm our ability to lease the properties for farming.***

In order to lease the cropland that we intend to acquire with the proceeds of this offering, these properties will require access to sufficient water to make them suitable for farming. Although we expect to acquire properties with sufficient water access, should the need arise for additional wells from which to obtain water, we would be required to obtain permits prior to drilling such wells. Permits for drilling water wells are required by state and county regulations, and such permits may be difficult to obtain due to the limited supply of water in areas where we expect to acquire properties, such as the farming regions of California. Similarly, our properties may be subject to governmental regulations relating to the quality and disposition of rainwater runoff or other water to be used for irrigation. In such case, we could incur costs necessary in order to retain this water. If we are unable to obtain or maintain sufficient water supply for our properties, our ability to lease them for farming would be seriously impaired, which would have a material adverse impact on the value of our assets and our results of operations.

***Our agricultural properties will be subject to adverse weather conditions and crop disease.***

Fresh produce, including produce used in canning and other packaged food operations, is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common but difficult to predict. Because fresh produce is highly perishable and generally must be brought to market and sold soon after harvest, unfavorable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas.

In addition, fresh produce is vulnerable to crop disease and to pests, which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions. The costs to control these infestations vary depending on the severity of the damage and the extent of the plantings affected. These infestations can increase costs and decrease revenues of our tenants. Although we do not expect that our rental payments will be based on the quality of our tenants' harvests, any of these factors could have a material adverse effect on our tenants' ability to pay rent to us, which in turn could have a material adverse effect on our ability to make distributions to our stockholders.

***Our operating results and the value of our properties may be adversely impacted by future climate change.***

In addition to the general risks that adverse weather conditions will pose for the tenants of our properties, the value of our properties will potentially be subject to risks associated with long-term effects of climate change. Many climatologists predict increases in average temperatures, more extreme temperatures and increases in volatile weather over time. The effects of climate change may be more significant along coastlines, such as the California coastal areas where we intend to focus our initial acquisition efforts, 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. As a result, the effects of climate change could make our properties less suitable for farming or other alternative uses, which could adversely impact the value of our properties, our ability to generate rental revenue from leasing our properties and our cash available for distribution to stockholders.

***Our current properties are leased to the same tenant, Dole Fresh, and Dole Fresh may no longer be able to make rental payments or may choose to terminate its leases prior to or upon their expiration.***

Both of our current farm leases are with Dole Fresh under leases expiring in 2010 and 2013. If Dole Fresh fails to make rental payments or elects to terminate its leases prior to or upon their expiration and the land cannot be re-leased on satisfactory terms, or if Dole Fresh experiences financial problems or bankruptcy, it would have a material adverse effect on our financial performance and our ability to make dividend payments to our stockholders.

***Because we must distribute a substantial portion of our net income to qualify as a REIT, we will be largely dependent on third-party sources of capital to fund our future capital needs.***

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our taxable income each year, excluding capital gains. Because of this distribution requirement, it is not likely that we will be able to fund a significant portion of our future capital needs, including property acquisitions, from retained earnings. Therefore, we will likely rely on public and private debt and equity capital to fund our business. This capital may not be available on favorable terms or at all. Our access to additional capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings.

***Our business strategy relies heavily on borrowing, which may expose us to risks associated with leverage such as restrictions on additional borrowing and payment of distributions, the inability to satisfy or refinance balloon payments, and risk of loss of our equity upon foreclosure.***

Our acquisition strategy contemplates the use of leverage so that we may make more investments than would otherwise be possible in order to maximize potential returns to stockholders. If the income generated by our properties and other assets fails to cover our debt service, we could be forced to reduce or eliminate distributions to our stockholders and may experience losses. We may borrow on a secured or unsecured basis. Our certificate of incorporation and bylaws to be in effect upon the completion of this offering do not impose any limitation on our borrowing. However, our Board of Directors has adopted a policy that our aggregate borrowing will not result in a total debt to total equity ratio greater than two-to-one. This coverage ratio means that, for each dollar of equity we have, we can incur up to two dollars of debt. Our Board of Directors may change this policy at any time. Upon completion of this offering, we expect our debt to equity ratio to be approximately 0.1 to 1.

We currently have a line of credit from a bank that permits us to borrow up to \$3,250,000, which loan is secured by the Watsonville farm. To date, we have not used this line of credit beyond the minimum draw requirements. In the future, we expect to use it for working capital. As of June 30, 2010, we have a \$11.5 million mortgage loan from a life insurance company that is secured by the Oxnard farm. The loan has an annual interest rate of 6% and matures in February 2021.

Our ability to achieve our investment objectives will be affected by our ability to borrow money in sufficient amounts and on favorable terms. We expect that we will borrow money that will be secured by our properties and that these financing arrangements will contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. In addition, any credit facility we might enter into is likely to contain certain customary restrictions, requirements and other limitations on our ability to incur indebtedness, and will specify debt ratios that we will be required to maintain. Accordingly, we may be unable to obtain the degree of leverage that we believe to be optimal, which may cause us to have less cash for distributions to stockholders. Our use of leverage could also make us more vulnerable to a downturn in our business or the economy generally. There is also a risk that a significant increase in the ratio of our indebtedness to the measures of our asset value used by financial analysts may have an adverse effect on the market price of our common stock.

Some of our debt financing arrangements may require us to make lump-sum or balloon payments at maturity. Our ability to make a balloon payment at maturity could depend upon our ability to obtain additional financing or to sell the financed property. At the time the balloon payment is due, we may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment.

Once the net proceeds of this offering have been substantially fully invested, we intend to acquire additional properties by borrowing all or a portion of the purchase price and securing the loan with a mortgage on some or all of our real property. If we are unable to make our debt payments as required, a lender could foreclose on the property securing its loan. This could cause us to lose part or all of our investment in the property, which in turn could cause the value of our common stock or the distributions to our stockholders to be reduced.

***Competition for the acquisition of agricultural real estate may impede our ability to make acquisitions or increase the cost of these acquisitions, which could adversely affect our operating results and financial condition.***

We will compete for the acquisition of properties with many other entities engaged in agricultural and real estate investment activities, including corporate agriculture companies, financial institutions, institutional pension funds, other REITs and real estate companies and private real estate investors. These competitors may prevent us from acquiring desirable properties or may cause an increase in the price we must pay for real estate. Our competitors may have greater resources than we do and may be willing to pay more for certain assets or may have a more compatible operating philosophy with our acquisition targets. In particular, larger REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Our competitors may also adopt transaction structures similar to ours, which would decrease our competitive advantage in offering flexible transaction terms. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties. If we pay higher prices for properties, our profitability may decrease, and you may experience a lower return on your investment. Increased competition for properties may also preclude us from acquiring those properties that would generate attractive returns to us.

***We expect to lease our properties to small and medium-sized farms and agricultural businesses, which may have limited financial and personnel resources.***

Leasing real property to small and medium-sized farms and related agricultural businesses will expose us to a number of unique risks related to these entities. For example, small 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, our target tenants may face intense competition, including competition from companies with greater financial resources, which could lead to price pressure on crops that could lower our tenants' income.

Furthermore, the success of a small 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 our tenant and, in turn, on us.

***We may not ultimately be able to sell our agricultural real estate to developers in connection with the conversion of such properties to urban or suburban uses.***

Our business plan in part contemplates purchasing agricultural real property that we believe is located in the path of urban and suburban growth and ultimately will increase in value over the long term as a result. Pending the sale of such real property to developers for conversion to urban, suburban and other more intensive uses, such as residential or commercial development, we intend to lease the property for agricultural uses, particularly farming annual crops. Urban and suburban development is subject to a number of uncertainties, including land zoning and environmental issues, infrastructure development and demand. These uncertainties are more acute since we do not intend to acquire properties that are expected to be converted to urban or suburban uses in the near term. As a result, there can be no

guarantee that increased development will actually occur and that we will be able to sell any of the properties that we own or acquire in the future for such conversion. Our inability to sell these properties in the future for conversion to urban or suburban uses could result in a reduced return on your investment.

***Our real estate portfolio will be concentrated in a limited number of properties, which subjects us to an increased risk of significant loss if any property declines in value or if we are unable to lease a property.***

Based on the anticipated net proceeds to be received from this offering, the expected investment size and our Adviser's experience in the marketplace, we estimate that we will purchase approximately 10 to 15 properties with the net proceeds of this offering. To the extent we are able to leverage such investments, we will acquire additional properties with the net proceeds of borrowings, subject to our debt policy. A consequence of a limited number of investments is that the aggregate returns we realize 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 we do not intend to invest 20% or more of our total assets in a particular property at the time of investment, it is possible that, as the values of our properties change, one property may comprise in excess of 20% of the value of our total assets. Lack of diversification will increase the potential that a single underperforming investment could have a material adverse effect on our cash flows and the price we could realize from the sale of our properties.

***Liability for uninsured losses could adversely affect our financial condition.***

Losses from disaster-type occurrences, such as wars, earthquakes and weather-related disasters, may be either uninsurable or not insurable on economically viable terms. Should an uninsured loss occur, we could lose our capital investment or anticipated profits and cash flows from one or more properties.

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

We intend to purchase agricultural properties and will be subject to the risk of liabilities under federal, state and local environmental laws. Some of these laws could subject us to:

responsibility and liability for the cost of removal or remediation of hazardous substances released on our properties, generally without regard to our knowledge of or responsibility for the presence of the contaminants;

liability for the costs of removal or remediation of hazardous substances 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.

We will generally include provisions in our leases making tenants responsible for all environmental liabilities and for compliance with environmental regulations, and we will seek to require tenants to reimburse us for damages or costs for which we have been found liable. However, these provisions will not eliminate our statutory liability or preclude third party claims against us. Even if we were to have a legal claim against a tenant to enable us to recover any amounts we are required to pay, there are no assurances that we would be able to collect any money from the tenant. Our costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of our properties, or the failure to properly remediate a contaminated property, could adversely affect our ability to sell or lease the property or to borrow using the property as collateral.

***The presence of endangered or threatened species on or near our acquired farmland could restrict the activities of our agricultural tenants.***

Federal, state and local laws and regulations intended to protect threatened or endangered species could restrict certain activities on our farmland. 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 our farmland are deemed to be part of or bordering habitats for such endangered or threatened species that could be disturbed by the agricultural activities of our 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 our assets and our results of operations.

***We may be required to permit the owners of the mineral rights to our properties to enter and occupy parts of the properties for the purposes of drilling and operating oil or gas wells.***

Although we will own the surface rights to the properties that we acquire, we expect that other persons will typically own the rights to any minerals, such as oil and natural gas, that may be located under the surfaces of these properties. Under agreements with any such mineral rights owners, we expect that we would be required to permit third parties to enter our properties for the purpose of drilling and operating oil or gas wells on the premises. We will also be required to set aside a reasonable portion of the surface area of our properties to accommodate these oil and gas operations. The devotion of a portion of our properties to these oil and gas operations would reduce the amount of the surface available for farming or farm-related uses, which could adversely impact the rents that we receive from leasing these properties.

***Failure to hedge effectively against interest rate changes may adversely affect our results of operations.***

We may experience interest rate volatility in connection with mortgage loans on our acquired properties or other variable-rate debt that we may owe, and mortgage loans we may make, from time to time. We may seek to mitigate our exposure to changing interest rates by using interest rate hedging arrangements such as interest rate swaps and caps. These derivative instruments involve risk and may not be effective in reducing our exposure to interest rate changes. Risks inherent in derivative instruments include the risk that counterparties to derivative contracts may be unable to perform their obligations, the risk that interest rates move in a direction contrary to, or move slower than the period contemplated by, the direction or time period that the derivative instrument is designed to cover, and the risk that the terms of such instrument will not be legally enforceable. While we intend to design our hedging strategies to protect against adverse movements in interest rates, derivative instruments that we are likely to use may also involve immediate costs, which could reduce our cash available for distribution to our stockholders. Likewise, ineffective hedges, as well as the occurrence of any of the risks inherent in derivatives, could adversely affect our operating results or reduce your overall investment returns. Our Adviser and our Board of Directors will review each of our derivative contracts and will periodically evaluate their effectiveness against their stated purposes.

In addition, tax laws may substantially limit our ability to hedge our interest rate exposure. If we qualify as a REIT for federal income tax purposes, our aggregate gross income from non-qualifying hedges, fees, and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary, or TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or could expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

#### **Risks Associated With Our Use of an Adviser to Manage Our Business**

***Our success will depend on the performance of our Adviser and if our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.***

Our ability to achieve our investment objectives and to pay distributions to our stockholders is substantially dependent upon the performance of our Adviser in evaluating potential investments, selecting and negotiating property purchases and dispositions on our behalf, selecting tenants and borrowers, setting lease terms and determining financing arrangements. You will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the analytical and management abilities of our Adviser and the oversight of our Board of Directors. If our Adviser or our Board of Directors makes inadvisable investment or management decisions, our operations could be materially adversely impacted.

*We may have conflicts of interest with our Adviser and other affiliates.*

Our Adviser will manage our real estate portfolio and will locate, evaluate, recommend and negotiate the acquisition of our real estate investments and mortgage loans. At the same time, our advisory agreement permits our Adviser to conduct other commercial activities and to provide management and advisory services to other entities, including Gladstone Commercial Corporation, Gladstone Capital Corporation and Gladstone Investment

Corporation, each of which is affiliated with us. Most of our officers and directors are also officers and directors of Gladstone Capital and Gladstone Investment, which actively make loans to and invest in small and medium-sized companies and Gladstone Commercial, which actively makes real estate investments. As a result, we may from time to time have conflicts of interest with our Adviser in its management of our business and that of Gladstone Commercial, Gladstone Investment or Gladstone Capital, which may arise primarily from the involvement of our Adviser, Gladstone Capital, Gladstone Commercial, Gladstone Investment and their affiliates in other activities that may conflict with our business. Examples of these potential conflicts include:

our Adviser may realize substantial compensation on account of its activities on our behalf and may be motivated to approve acquisitions solely on the basis of increasing its compensation from us;

our agreements with our Adviser are not arm's-length agreements;

we may experience competition with our affiliates for potential financing transactions; an