

our farms or that farms that we acquire in the future will not be subject to third-party mineral rights. To the extent that third parties have mineral rights on farms that we currently own or acquire in the future, we expect that we 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. We will also be required to set aside a reasonable portion of the surface area of our farms to accommodate these oil and gas operations. The devotion of a portion of our 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 we receive from leasing these farms.

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

State, county and federal governments have implemented a number of regulations governing labor practices used in connection with farming operations. For example, these regulations seek to provide for minimum wages and minimum and maximum work hours, as well as to restrict the hiring of illegal immigrants. If one of our tenants is accused of violating, or found to have violated such regulations, it could have a material adverse effect on the tenant's results of operations, which could materially adversely affect its ability to make its rental payments to us and, in turn, our ability to make distributions to our 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 our 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 our farms and results of operations by requiring the reformulation of our 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, we cannot determine what prospective effect, if any, the Act will have on U.S. farmland generally, and our 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 our farms and therefore impact crop production, which may adversely affect our 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 we can charge for our farms, thereby hurting our financial performance.

Risks Related to Our Organizational Structure

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

In order to qualify as a REIT, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of any taxable year (beginning with our second taxable year as a REIT). In order to help us qualify as a REIT, our charter