

We generally use fixed leases of one to three years for our specialty/vegetable and commodity row crop farms, which typically include annual percentage or dollar escalators in some cases for leases of more than one year in duration. These fixed leases provide stability for our revenues and a level of protection against many risks inherent in farming operations, such as weather, drought or shorter-term crop fluctuations. These events generally have only a short-term adverse impact on the farmland because of the ability to replant crops or switch crops the next year. Rental payments for fixed leases on row crops are typically made on an annual basis prior to harvest or semi-annually, with 50% being made in advance of harvest and 50% being paid post-harvest.

However, due to the short term nature of these fixed leases on specialty/vegetable and commodity row crop farms, in any given year we may have multiple leases up for renewal or extension. We have nine leases (Sandpiper Ranch, Condor Ranch, Pleasant Plains Farm, Tillar Farm and Kane County Farms), with some farms having multiple leases, expiring in 2015 that collectively accounted for 28.6% of our total annual rent for 2014 and 20.3% of our fixed and participating rent for the first six months of 2015. With the exception of Condor Ranch, which is a permanent crop farm that is predominantly in development, each of the farms is a commodity or specialty/vegetable row crop farm, and we expect lease negotiations with respect to these farms to commence in the third and fourth quarter of 2015 as is customary with respect to leases for these types of farms in their respective geographies. We currently expect to renew each of these leases with the existing farmer tenant, though no assurances can be given that we will be successful in doing so. In general and based on our prior experience, lease renewal rates are impacted by a variety of factors including: (i) typically being renewed in a manner that follows the land value change over the span of the lease (i.e., if a lease has a three year term, and in those three years, the value of property increases by 20%, the renewed lease will similarly adjust the rental payment), (ii) crop price trends, (iii) revenue and expense expectations and (iv) public rental data for comparable farms, if known. Regarding rental rates, Sandpiper Ranch, which has a fixed lease, and the mature portion of Condor Ranch, which has a participating lease with a base rent, are located in the USDA Pacific region where the crops produced have seen increased demand and prices. Accordingly, we anticipate being able to renew each of the leases associated with these farms at the same, if not higher rental rates. Our Pleasant Plains Farm, Tillar Farm and Kane County Farms, however, are located in the USDA Corn Belt and Delta regions, both of which have experienced a softening in commodity prices, which may adversely impact our ability to negotiate rental rates at equal or more favorable terms; however, we are unable to quantify this possible impact given that most leases in this region are negotiated in the third and fourth quarters.

For permanent crop farms, we typically use participating leases because the ability to share in favorable crop prices compensates for the increased risks of owning and developing permanent farmland, which takes several years to yield revenue-producing crops and which can suffer long-term damage from weather events. These leases typically require the tenant to pay a base rent and, after a threshold that allows the tenant to recoup agricultural expenses, revenues are shared formulaically based on one or multiple factors pursuant to the applicable lease. These leases are typically longer-term in nature, (four to six years), and have multiple payment installments, some for base rent amounts and others for the participating component. Revenues from participating leases exhibit more variability around fluctuating crop prices and harvest cycles and are subject to seasonality, the timing of crop harvests or when revenues are recognized or received. We expect such variability to continue as long as we continue to use such lease types.

Farms with fixed leases of multiple-year durations are less susceptible to the immediate impacts of changes in crop prices. However, land values for commodity row crop farms and resulting market rental rates are generally impacted by the overall three year average of commodity crop prices, and perhaps sooner in times of notable price volatility. For leases where there is a participating or contingent revenue component, impacts of changing crop prices will have a more direct impact on revenues. Although annual rental payments under our leases will not be based on the quality or profitability of