

- An example of the disparity between purchase price and/or total cost of a development farm compared to the valuation of a mature farm is our Condor Ranch property, which we purchased in two transactions in November and December 2011 for \$18,678 per tillable acre. Total costs, inclusive of purchase price and redevelopment expenses, through December 2014 were \$9.2 million in the aggregate, and \$35,175 per tillable acre. According to the year end appraisal of Condor Ranch of \$9.4 million, dated as of December 31, 2014, which included an analysis of five comparable mature permanent crop properties in the same region, the average purchase price for such comparable properties was \$49,856 per tillable acre, which represents a more than 165% increase over our purchase price for Condor Ranch and a 42% increase over our total costs per acre through December 31, 2014 (though no assurance can be given that such average purchase price per acre could be realized).
- *Utilize Participating Lease Structures.* Leases for our current portfolio represent laddered maturities from one to five years. For our mature permanent crop farms, we typically utilize participating leases, under which a part or all of the rent is derived from participation in crop revenues or a share of the final crop, and which tend to have longer lease maturities of three to five years and which generally include a base rent component. Participating lease structures align our tenants' economic interests with our interests, with the goal of maximizing productivity and generating higher income from our farms. Additionally, we may utilize crop insurance as necessary to mitigate the risk associated with participating leases in connection with poor or low crop yields.

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

Investment Focus and Process

Diversification

We seek to invest in high-quality cropland in proven production regions of the U.S. that enjoy competitive advantages in production costs, productivity and/or output quality. We manage risk through investment in a number of different geographic locations and crop types. We believe that diversification across geographic areas and crop types reduces volatility and exposure to major risk factors such as weather, fluctuating commodity prices and crop demand/supply cycles.

Further, to achieve farm type diversification, we will own both mature permanent farms, such as orchards and vineyards, and row crop farms. Additionally, we seek diversification by making investments in different geographic areas and crop types. We also consider investments that involve the development of permanent crops, such as orchards and vineyards. These development investments not only provide an opportunity for us to create asset value but also allow for state-of-the-art planting with optimal varieties, orchard/vineyard layout, and irrigation systems. We will also endeavor to find farms with alternative future uses, as this may enhance value and liquidity.