

**American Farmland Company**  
**Notes to Consolidated Financial Statements (Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the lease. Should a tenant terminate its lease, the unamortized portion of any above-market and below-market lease values, in-place lease values and any associates intangibles will be immediately charged to the related income or expense.

We account for the impairment of real estate, including intangible assets, in accordance with ASC 360-10-35, "Property, Plant, and Equipment," which requires us to periodically review the carrying value of each property to determine whether circumstances indicate impairment of the carrying value of the investment exists or if depreciation periods should be modified. If circumstances support the possibility of impairment, we prepare a projection of the undiscounted future cash flows, without interest charges, of the specific property and determine whether the carrying value of the investment in such property is recoverable. In performing the analysis, we consider such factors as agricultural and business conditions in the regions in which our farms are located, and the development period (if applicable), and whether there are indications that the fair value of the real estate has decreased. If the carrying amount is more than the aggregate undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

We evaluate our entire property portfolio each quarter for any impairment indicators and perform an impairment analysis. We concluded that none of our properties were impaired as of December 31, 2014 or 2013 and we will continue to monitor our portfolio for any indicators of impairment. There have been no impairments recognized on real estate assets since our inception.

**Stock**—There were 300,000,000 shares of common stock, par value \$0.01 per share, authorized with 10,436,902 issued and outstanding as of December 31, 2014 and 10,444,584 shares issued and 10,039,384 shares outstanding as of December 31, 2013. There were 35 8% Series A Cumulative Non-Voting Preferred Stock, par value \$0.01 per share, authorized as of December 31, 2014 and December 31, 2013 with 29 issued and outstanding as of those dates.

**Non-Controlling Interests**—Non-controlling interest is the portion of capital in the Operating Partnership not attributable to the Company. Our non-controlling interests relates to the Founders' capital accounts and the de minimis capital account of AFA in the Operating Partnership. Non-controlling interests are reported in equity on the consolidated balance sheets but separate from the Company's stockholders' equity. On the consolidated statements of operations, the Operating Partnership is reported at the consolidated amount, including both the amount attributable to the Company and non-controlling interests.

**Other Assets**—Other assets primarily comprise unamortized deferred financing costs being amortized over the life of the credit facility of five years, prepaid expenses, deposits on potential farm acquisitions, deposits on trees to be acquired for development purposes and other miscellaneous receivables.

We account for deferred offering costs in accordance with SEC Staff Accounting Bulletin ("SAB"), Topic 5.A, which states that incremental costs directly attributable to a proposed or actual offering of securities may properly be deferred and charged against the gross proceeds of the offering. Accordingly, we record costs incurred related to public offerings of equity securities on our consolidated balance sheet and pro-ratably apply these amounts to the proceeds of equity as stock is issued. The deferred offering costs on our consolidated balance sheet as of December 31, 2014 will be applied to the proceeds of equity in connection with our initial public offering ("IPO") in 2015.