

our 2015 contractual rent received through the second quarter, but some tenants may do so in the future.

## **Government Regulation**

### *Farming Regulation*

The farms that we own and intend to acquire are subject to the laws, ordinances and regulations of state, local and federal governments, including laws, ordinances and regulations involving land use and usage, water rights, treatment methods, disturbance, the environment and eminent domain.

Farmland is principally subject to environmental laws, ordinances and regulations. Each governmental jurisdiction has its own distinct environmental laws, ordinances and regulations governing the use of farmland. These laws, ordinances and regulations primarily seek to regulate water usage and water runoff due to the limited supply in certain areas, including California, Florida and Illinois, where the majority of the farms in our portfolio are located. In addition, runoff from rain or from irrigation is also governed by state, county and federal governments. Further, if any of the water used on or running off of our farms flows to any rivers, ponds, the ocean or other water sources, then there may be specific laws, ordinances and/or regulations governing the amount of pollutants, including sediments, nutrients and pesticides, that such water may contain.

All of the farms in our portfolio have sources of water, including wells and/or surface water that currently provide sufficient amounts of water necessary for the current farming operations at each location. However, should the need arise for additional water from wells and/or surface water sources, we may be required to obtain additional permits or approvals or to make other required notices prior to developing or using such water sources. Permits for drilling water wells or withdrawing surface water may be required by federal, state and local governmental entities pursuant to laws, ordinances, regulations or other requirements, and such permits may be difficult to obtain due to drought, the limited supply of available water within the farming districts of the states in which our farms are located or other reasons. We believe that our farms are currently in compliance with applicable state, county and federal environmental and agricultural regulations.

In addition to the regulation of water usage and water runoff, state, county and federal governments also seek to regulate the type, quantity and method of use of chemicals for growing crops, including fertilizers, pesticides and nutrient rich materials. Such regulations could include restricting or preventing the use of such chemicals and materials near residential housing or near water sources. For example, when farmland is located near residential housing, the spraying of crops on the farmland may only occur on windless days and the spray may not be used on plants that are specific distances from homes. Further, some regulations have strictly forbidden or significantly limit the use of certain chemicals and materials. Licenses, permits and approvals must be obtained from governmental authorities before most chemicals and materials can be used on farmland and crops, and reports on the usage of such chemicals and materials must be submitted in accordance with the terms of the specific licenses, permits and approvals. Failure to obtain such permits or comply with the terms of such permits could result in fines and imprisonment.

The use of farmland in California, Florida and other jurisdictions is also subject to regulations governing the protection of endangered species. When farmland borders, or is in close proximity to, national parks, protected natural habitats or wetlands, the farming operations on such farms must comply with the laws, ordinances and regulations related to the use of chemicals in a manner to avoid disturbing the habitats, wetlands or other protected areas.

In addition to environmental regulations, state, county and federal governments also have various regulations governing labor practices used in connection with farming operations. For example, these