

CatchMark Timber Trust, Inc.  
Form 10-K  
March 03, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2016
- or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 001-36239

CATCHMARK TIMBER TRUST, INC  
(Exact name of registrant as specified in its charter)

Maryland	20-3536671
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5 Concourse Parkway, Suite 2325, Atlanta, GA	30328
(Address of principal executive offices)	(Zip Code)
(855) 858-9794	
Registrant's telephone number, including area code	

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of exchange on which registered
CLASS A COMMON STOCK	NEW YORK STOCK EXCHANGE

- Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No
- Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No
- Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No
- Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See definition of "large accelerated filer" and "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of June 30, 2016, the aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant was \$468.7 million. The aggregate market value was calculated by using the closing price of the Class A common stock as of that date on the New York Stock Exchange, which was \$12.22 per share.

As of February 28, 2017: 38,776,829 shares of the registrant's Class A common stock were outstanding

Documents Incorporated by Reference

Certain portions of the registrant's definitive proxy statement filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2017 annual meeting of the registrant's stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K as indicated herein.

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FORM 10-K

CATCHMARK TIMBER TRUST, INC.

## TABLE OF CONTENTS

	Page No.
<u>PART I.</u>	
Item 1. <u>Business</u>	<u>1</u>
Item 1A. <u>Risk Factors</u>	<u>6</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>24</u>
Item 2. <u>Properties</u>	<u>24</u>
Item 3. <u>Legal Proceedings</u>	<u>26</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>26</u>
<u>PART II.</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities</u>	<u>27</u>
Item 6. <u>Selected Financial Data</u>	<u>30</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>45</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>45</u>
Item 9A. <u>Controls and Procedures</u>	<u>45</u>
Item 9B. <u>Other Information</u>	<u>46</u>
<u>PART III.</u>	
Item 10. <u>Directors, Executive Officers, and Corporate Governance</u>	<u>47</u>
Item 11. <u>Executive Compensation</u>	<u>47</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>47</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>47</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>47</u>
<u>PART IV.</u>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	<u>48</u>

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K of CatchMark Timber Trust, Inc. and subsidiaries (“CatchMark Timber Trust,” “we,” “our,” or “us”) may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In addition, CatchMark Timber Trust, or the executive officers on CatchMark Timber Trust’s behalf, may from time to time make forward-looking statements in reports and other documents CatchMark Timber Trust files with the Securities and Exchange Commission (the “SEC”) or in connection with oral statements made to the press, potential investors, or others. We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in the Securities Act and the Exchange Act. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods.

Forward-looking statements can generally be identified by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue,” or other similar words. Readers are cautioned not to place reliance on these forward-looking statements, which speak only as of the date that this report is filed with the SEC. We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this Form 10-K, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Any such forward-looking statements are subject to risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our timberland properties, may be significantly hindered. See Item 1A herein for a discussion of some, although not all, of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements.

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## GLOSSARY

The following abbreviations or acronyms may be used in this document and shall have the adjacent meanings set forth below:

AFM	American Forestry Management, Inc.
AgFirst	Agfirst Farm Credit Bank
ASU	Accounting Standards Update
CoBank	CoBank, ACB
Code	Internal Revenue Code of 1986, as amended
EBITDA	Earnings from Continuing Operations before Interest, Taxes, Depletion, and Amortization
FASB	Financial Accounting Standards Board
FCCR	Fixed Charge Coverage Ratio
FRC	Forest Resource Consultants, Inc.
GAAP	Generally Accepted Accounting Principles in the United States
HBU	Higher and Better Use
IPO	Initial Listed Public Offering
LIBOR	London Interbank Offered Rate
LTIP	Long-Term Incentive Plan
LTV	Loan-to-Value
NYSE	New York Stock Exchange
Rabobank	Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A.
REIT	Real Estate Investment Trust
RSU	Restricted Stock Unit
SFI	Sustainable Forest Initiative
TRS	Taxable REIT Subsidiary
TSR	Total Shareholder Return
U.S.	United States
VIE	Variable Interest Entity
WestRock	WestRock Company (formerly known as MeadWestvaco Corporation)

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Table of ContentsIndex to Consolidated Financial Statements

## PART I

## ITEM 1. BUSINESS

## General

CatchMark Timber Trust, Inc. ("CatchMark Timber Trust") (NYSE: CTT), a Maryland corporation, is a self-administered and self-managed real estate company that invests in timberlands and has elected to be taxed as a REIT for federal income tax purposes. CatchMark Timber Trust was incorporated in 2005, commenced operations in 2007, and conducts substantially all of its business through CatchMark Timber Operating Partnership, L.P. ("CatchMark Timber OP"), a Delaware limited partnership. CatchMark Timber Trust is the general partner of CatchMark Timber OP, possesses full legal control and authority over its operations, and owns 99.99% of its common partnership units. CatchMark LP Holder, LLC ("CatchMark LP Holder"), a wholly-owned subsidiary of CatchMark Timber Trust, is the sole limited partner of CatchMark Timber OP. In addition, CatchMark Timber TRS, Inc. ("CatchMark TRS"), a Delaware corporation, was formed as a wholly owned subsidiary of CatchMark Timber OP. Unless otherwise noted, references to CatchMark Timber Trust, "we", "us", or "our" herein shall include CatchMark Timber Trust and all of its subsidiaries, including CatchMark Timber OP, and the subsidiaries of CatchMark Timber OP, including CatchMark TRS.

We primarily engage in the ownership, management, acquisition, and disposition of timberland properties located in the United States. We generate recurring income and cash flows from the harvest and sale of timber, as well as from non-timber related revenue sources, such as rent from hunting and recreational leases. When and where we believe it is appropriate, we also generate income and cash flow from timberland sales.

For each of the three years ended December 31, 2016, 2015 and 2014, our revenues from timber sales, timberland sales, and non-timber related sources, as a percentage of our total revenue, are set forth in the table below:

	2016	2015	2014
Timber sales	80 %	76 %	75 %
Timberland sales	15 %	17 %	20 %
Other revenues	5 %	7 %	5 %
Total	100%	100%	100%

In addition to current income, we expect to realize additional long-term returns from the biological growth of our standing timber inventory.

## Current Timberland Holdings

As of December 31, 2016, we owned interests in approximately 499,600 acres of timberland in the U.S. South, consisting of approximately 467,500 acres held in fee-simple interests, or our fee timberlands, and approximately 32,100 acres held in leasehold interests, or our leased timberlands. As of December 31, 2016, our timberlands were comprised of approximately 74% pine stands and 26% hardwood stands (by acreage) and contained an estimated 20.3 million tons of merchantable inventory.

Please refer to Item 2 – Properties for more details on our timber and timberland properties.

## Our Business and Growth Strategies

Our objective is to produce cash flow and value growth through the ongoing implementation of the following business and growth strategies:

1

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Table of Contents

Index to Consolidated Financial Statements

**Actively Manage Our Timberlands for Long-Term Results.** We seek to maximize long-term returns by actively managing our timberlands to achieve an optimum balance among biological timber growth, current harvest cash flow, and responsible environmental stewardship. Further, we expect to continue making investments in forest technology, including improved seedlings, in order to increase the sustainable yield of our timberlands over the long-term.

**Maximize Profitability on Timber Sales.** We actively manage our log merchandising efforts together with delivered and stumpage sales with the goal of achieving the highest available price for our timber products. We compete with other timberland owners on the basis of the quality of our logs, the prices of our logs, our reputation as a reliable supplier and our ability to meet customer specifications. We will continue to work diligently and proactively with our third-party contractors to ensure that we optimize our logging, hauling, sorting, and merchandising operations to extract the maximum profitability from each of our logs based on the foregoing considerations.

**Pursue Attractive Timberland Acquisitions.** We seek to identify and acquire high-quality prime timberland properties, with our average deal size ranging from 10,000 to 40,000 acres. Critical evaluation of prospective property acquisitions is an essential component of our acquisition strategy. When evaluating acquisition opportunities, we assess a full range of matters relating to the prospective timberland property or properties, including, but not limited to:

- Local market dynamics;
- Predominantly pine merchantable inventory mix;
- Merchantable inventory mix (tons per-acre);
- Sustainable productivity (on a tons per-acre, per-year basis);
- Quality of existing and prospective customers; and
- Target unlevered cash yields.

Due to the expected liquidation of the ownership positions of a number of timberland investment management organizations over the next several years, we anticipate there will be a robust supply of attractive timberlands available for sale. We may also enter into additional fiber supply agreements with respect to acquired properties in order to ensure a steady source of demand for our incremental timber production.

**Opportunistically Sell Timberland Assets.** We continuously assess potential alternative uses of our timberlands, as some of our properties may be more valuable for development, conservation, recreational or other rural purposes than for growing timber. We intend to capitalize on the value of our timberland portfolio by opportunistically monetizing timberland properties. When evaluating our land sale opportunities, we assess a full range of matters relating to the timberland property or properties, including, but not limited to:

- Suboptimal inventory stocking;
- Predominantly hardwood merchantable inventory mix; and
- Poor productivity.

The close proximity of our existing timberlands to several major population centers provides us with opportunities to periodically sell parcels of our land at favorable valuations. We generally expect to monetize 1% to 2% of our fee timberland acreage on an annual basis pursuant to our land sales program, although such results may vary. We may also decide to pursue various land entitlements on certain properties in order to realize higher long-term values on such properties.

**Practice Sound Environmental Stewardship.** We will remain committed to responsible environmental stewardship and sustainable forestry. Our timberlands, except those that have been recently acquired, have been third-party audited and



certified in accordance with the 2015-2019 SFI standards. We are currently taking the necessary procedures to get our recently acquired timberlands third-party audited and certified in accordance with the SFI standards within the next 12 months. SFI standards promote sustainable forest management through recognized core principles, including

2

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Table of Contents

Index to Consolidated Financial Statements

measures to protect water quality, biodiversity, wildlife habitat and at-risk species. Our timberlands are further managed to meet or exceed all state regulations through the implementation of best management practices as well as internal policies designed to ensure compliance. We believe our continued commitment to environmental stewardship will allow us to maintain our timberlands' productivity, grow our customer base, and enhance our reputation as a preferred timber supplier.

Financing Strategy

Our long-term financing strategy seeks to maximize balance sheet liquidity and operational flexibility for the purpose of generating current income and attractive long-term returns for our stockholders. We intend to employ prudent amounts of debt and equity financing as a means of providing additional funds for the selective acquisitions of timber assets, to refinance existing debt, or for general corporate purposes. In particular, we seek to maximize balance sheet liquidity and flexibility by:

- Maintaining sufficient liquidity through borrowing capacity under our credit facilities and cash-on-hand;
- Minimizing the amount of near-term debt maturities in a single year;
- Maintaining low to modest leverage; and
- Maintaining access to diverse sources of capital.

We determine the amount of debt and equity financing to be used when acquiring an asset by evaluating terms available in the credit markets (such as interest rate, repayment provisions and maturity), our cost of equity capital, and our assessment of the particular asset's risk. Historically, a significant portion of our debt has consisted of long-term borrowings secured by our timber assets.

We anticipate that we will continue to use a number of different sources to finance our operations and selective acquisitions going forward, including cash from operations, proceeds from asset dispositions, funds available under bank credit facilities (which may or may not be secured by our assets), co-investments through partnerships or joint ventures, potential future issuances of common or preferred equity or partnership interests in our operating partnership or any combination of these sources, to the extent available to us, or other sources that may become available from time to time.

Transaction Activities

We have executed the following timberland transactions:

Acquisitions

During the years ended December 31, 2016, 2015, and 2014, we acquired 81,900 acres, 42,900 acres, and 121,600 acres of timberlands, respectively, totaling 246,500 acres. The properties acquired are well stocked with merchantable pine inventory, located in strong pulpwood and sawtimber markets, and complement our existing timberland portfolio. Together, they added 10.3 million tons to our merchantable timber inventory, averaging 41 tons per acre, comprised of 75% pine plantations by acreage and 52% sawtimber by tons. Through these acquisitions, our timberland ownership expanded into Florida, Louisiana, North Carolina, South Carolina, Tennessee, and Texas.

Land Sales

During the years ended December 31, 2016, 2015, and 2014, we sold 7,300, 6,400, and 3,800 acres of timberland, respectively, totaling 17,400 acres. These land sales represented approximately 1.7%, 1.7%, and 1.3%, respectively, of our average fee timberland acreage (based on average monthly fee timberland acreage) for each year. The disposed

timberland acres had an average merchantable timber stocking of 31 tons per acre.

Table of Contents

Index to Consolidated Financial Statements

Timber Agreements

Mahrt Timber Agreements

We are party to a master stumpage agreement and a fiber supply agreement (collectively, the “Mahrt Timber Agreements”) with a wholly owned subsidiary of WestRock. The master stumpage agreement provides that we will sell specified amounts of timber and make available certain portions of our timberlands to CatchMark TRS for harvesting. The fiber supply agreement provides that WestRock will purchase specified tonnage of timber from CatchMark TRS at specified prices per ton, depending upon the type of timber product. The prices for the timber purchased pursuant to the fiber supply agreement are negotiated every two years but are subject to quarterly adjustments based on an index published by TimberMart-South, a quarterly trade publication that reports raw forest product prices in 11 southern states. The initial term of the Mahrt Timber Agreements is October 9, 2007 through December 31, 2032, subject to extension and early termination provisions. The Mahrt Timber Agreements ensure a long-term supply of wood fiber products for WestRock in order to meet its paperboard and lumber production requirements at specified mills and provide us with a reliable consumer for the wood products from our timberlands.

For the year ended December 31, 2016, WestRock purchased approximately 485,000 tons under the Mahrt Timber Agreements, which exceeded the minimum requirement of 441,000 tons. See Note 6 – Commitments and Contingencies of our accompanying consolidated financial statements for additional information regarding the material terms of the Mahrt Timber Agreements.

For the years ended December 31, 2016, 2015, and 2014, approximately 17%, 23%, and 34%, respectively, of our net timber sales revenue was derived from the Mahrt Timber Agreements. For 2017, we are required to make available for purchase by WestRock, and WestRock is required to purchase, a minimum of approximately 518,000 tons of timber at fiber supply agreement pricing.

Carolinas Supply Agreement

We assumed a pulpwood supply agreement (the "Carolinas Supply Agreement") in connection with our largest timberland acquisition since our listing on the NYSE in 2013, which closed on June 15, 2016 (the "Carolinas Midlands III transaction"). The Carolinas Supply Agreement requires us to harvest and sell agreed-upon pulpwood volumes to a third-party mill which they are required to purchase at defined market prices. Through its expiration on November 3, 2026, the Carolinas Supply Agreement is expected to represent between 100,000 to 150,000 tons of our annual harvest.

During the year ended December 31, 2016, we sold approximately 88,000 tons under the Carolinas Supply Agreement, above the required 72,000 tons. For the year ended December 31, 2016, approximately 4% of our net timber sales revenue was derived from the Carolinas Supply Agreement. For 2017, we are required to harvest and sell a minimum of approximately 150,000 tons of timber at the supply agreement pricing.

Credit Risk of Customers

For the year ended December 31, 2016, our largest customer, WestRock, represented 24% of our consolidated revenues. No other customer represented more than 10% of our consolidated revenues. The loss of WestRock as a customer would have a material adverse effect on our operating results. We sold timber to 68 customers in 2016, compared to 42 in 2015, an increase predominantly driven by recent timberland acquisitions.

We are not aware of any reason why our current customers will not be able to pay their contractual amounts as they become due in all material respects.

4

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## Competition

We compete with various private and industrial timberland owners as well as governmental agencies that own or manage timberlands in the U.S. South. Due to transportation and delivery costs, pulp, paper and wood products manufacturing facilities typically purchase wood fiber within a 100-mile radius of their location, which thereby limits, to some degree, the number of significant competitors in any specific regional market. Factors affecting the level of competition in our industry include price, species, grade, quality, proximity to the mill customer, and our reliability and consistency as a supplier. Also, as we seek to acquire timberland assets, we are in competition for targeted timberland tracts with other similar timber investment companies, as well as investors in land for purposes other than growing timber. As a result, we may have to pay more for the timberland tracts to become the purchaser if another suitable tract cannot be substituted. When it becomes time to dispose of timberland tracts, we will again be in competition with sellers of similar tracts to locate suitable purchasers of timberland.

## Seasonality

Our harvest operations are affected by weather conditions, where wet weather could reduce our harvest volume but boost prices due to limited supply while dry weather could suppress prices due to increases in supply.

## Environmental Matters

See Item 1A — Risk Factors, Risk Related to Our Business and Operations for discussions of environmental matters that impact our business.

## Executive Officers of the Registrant

Name	Age	Position(s)
Jerry Barag	58	Chief Executive Officer, President and Director
Brian M. Davis	47	Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
John F. Rasor	73	Chief Operating Officer, Secretary and Director

Jerry Barag has served as our Chief Executive Officer and President since our transition to self-management on October 25, 2013 and became a director on December 17, 2013. Mr. Barag served as our consultant from August 2013 to his appointment as our Chief Executive Officer and President. Mr. Barag brings over 30 years of real estate, timberland and investment experience, including expertise in acquisitions, divestitures, asset management, property management and financing. From September 2011 to our transition to self-management, Mr. Barag has served as a Principal with Mr. Rasor of TimberStar Advisors, an Atlanta-based timberland investment consulting firm, where he specialized in acquiring and managing timberlands in the United States. From 2004 to September 2011, he served as Managing Director of TimberStar, a timberland investment joint venture among himself, Mr. Rasor, iStar Financial, Inc. and other institutional investors. While at TimberStar, he oversaw the acquisition of over \$1.4 billion of timberlands in Arkansas, Louisiana, Maine and Texas. From 2003 to 2004, he served as Chief Investment Officer of TimberVest, LLC, or TimberVest, an investment manager specializing in timberland investment planning. Prior to joining TimberVest, Mr. Barag served as Chief Investment Officer and Chairman of the Investment Committees for Lend Lease, a subsidiary of Lend Lease Corp., a construction, development and real estate investment management advisory company traded on the Australian Securities Exchange. Mr. Barag received his Bachelor of Science from The University of Pennsylvania, Wharton School.

Brian M. Davis was appointed as our Senior Vice President and Chief Financial Officer in March 2013, as our Assistant Secretary in August 2013 and as our Treasurer since our transition to self-management on October 25, 2013. Mr. Davis served as Senior Vice President and Chief Financial Officer of Wells Timberland Investment Management Organization, or Wells TIMO, from March 2009 until our transition to self-management on October 25, 2013 and as

Vice President from October 2007 through March 2009. From March 2013 to September 2013, he was Senior Vice President and Chief Financial Officer of Wells Core Office Income REIT, Inc., or Wells Core. From February 2012 to September

2013, Mr. Davis served as the Chief of Strategic Product Management for Wells REF with responsibility for the strategic planning, development and leadership of the corporate finance organization. In addition, Mr. Davis served as Senior Vice President of Wells Capital, Inc., or Wells Capital, from February 2013 to September 2013. From 2000 until joining Wells Real Estate Funds, or Wells REF, in 2007, Mr. Davis worked at Atlanta-based SunTrust Bank, where he held various positions delivering capital market solutions – advisory, capital raising, and risk management to public and private companies. Mr. Davis previously held positions with CoBank of Denver, Colorado, as Capital Markets Officer from 1998 to 2000, and with SunTrust as Portfolio Manager for the AgriFoods Specialty Lending Group from 1994 to 1998. Mr. Davis received his Bachelor of Business Administration and Master of Business Administration from Ohio University.

John F. Rasor has served as our Chief Operating Officer and Secretary since our transition to self-management on October 25, 2013 and became a director on December 17, 2013. Mr. Rasor served as our consultant from August 2013 to his appointment as our Chief Operating Officer and Secretary. Mr. Rasor brings over 45 years of experience in the timberland and forest products industries, including expertise in manufacturing, fiber procurement and log merchandising, sales and distribution. From September 2011 to our transition to self-management, Mr. Rasor has served as a Principal with Mr. Barag of TimberStar Advisors. From 2004 to September 2011, he served as Managing Director of TimberStar. During his 40-year career with Georgia-Pacific Corporation, or Georgia Pacific, Mr. Rasor served as an Executive Vice President of Georgia-Pacific from 1996 to 2003, where he was responsible for all of Georgia-Pacific's timberland and the procurement of all the wood and fiber needed to operate Georgia-Pacific's mills. He also played a key role in the separation of Georgia-Pacific's timberland assets into a separate operating entity in 1997 that subsequently merged with Plum Creek Timber Company, Inc. in 2001. Following the separation of Georgia Pacific's timberland assets, Mr. Rasor assumed responsibility for several of Georgia Pacific's building products business units and staff positions in addition to serving as a member of the Executive Management Committee of the company. Mr. Rasor attended Willamette University and the University of Oregon.

## Employees

As of December 31, 2016, we had 17 employees.

## Access to SEC Filings and Other Information

We file annual, quarterly and current reports, proxy statements and other information required by the Exchange Act with the SEC. Access to copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other filings we make with the SEC, including amendments to such filings, may be obtained free of charge from our website at [www.catchmark.com](http://www.catchmark.com), or through a link to the [www.sec.gov](http://www.sec.gov) website. These filings are available promptly after we file them with, or furnish them to, the SEC.

We have also made available on our website our audit committee charter, compensation committee charter, nominating and corporate governance committee charter, code of business conduct and ethics and corporate governance principles. Information on, or accessible through, our website is not part of, and is not incorporated into, this report.

## ITEM 1A. RISK FACTORS

Below are some of the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business.



Risks Related to Our Business and Operations

The cyclical nature of the forest products industry could impair our operating results.

Our operating results are affected by the cyclical nature of the forest products industry. Our operating results depend on timber prices that can experience significant variation and that have been historically volatile. Like other participants

6

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Table of Contents

Index to Consolidated Financial Statements

in the forest products industry, we have limited direct influence over the timing and extent of price changes for cellulose fiber, timber, and wood products. Although some of the supply agreements we have or expect to enter into in the future fix the price of our harvested timber for a period of time, these contracts may not protect us from the long-term effects of price declines and may restrict our ability to take advantage of price increases.

The demand for timber and wood products is affected primarily by the level of new residential construction activity, the supply of manufactured timber products, including imports of timber products, and, to a lesser extent, repair and remodeling activity and other commercial and industrial uses. The demand for timber also is affected by the demand for wood chips in the pulp and paper markets and for hardwood in the furniture and other hardwood industries. The demand for cellulose fiber is related to the demand for disposable products such as diapers and feminine hygiene products. These activities are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- interest and currency rates;
- population growth and changing demographics; and
- seasonal weather cycles (for example, dry summers and wet winters).

Decreases in the level of residential construction activity generally reduce demand for logs and wood products. This can result in lower revenues, profits, and cash flows. In addition, increases in the supply of logs and wood products at both the local and national level also can lead to downward pressure on prices during favorable price environments. Timber owners generally increase production volumes for logs and wood products during favorable price environments. Such increased production, however, when coupled with even modest declines in demand for these products in general, could lead to oversupply and lower prices. Oversupply can result in lower revenues, profits, and cash flows to us, and could negatively impact our results of operations.

Increasing competition from a variety of substitute products could lead to declines in demand for wood products and negatively impact our business.

Wood products are subject to increasing competition from a variety of substitute products, including products made from engineered wood composites, fiber/cement composites, plastics and steel, as well as import competition from other worldwide suppliers. This could result in lower demand for wood products and impair our operating results.

Our cash distributions are not guaranteed and may fluctuate.

Our board of directors, in its sole discretion, determines the amount of the distributions (including the determination of whether to retain net capital gains income) to be provided to our stockholders. Our board will determine whether to authorize a distribution and the amount of such distribution based on its consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands, including those timberlands that have higher-and-better uses. In addition, our board of directors may choose to retain operating cash flow for investment purposes, working capital reserves or other purposes, and these retained funds, although increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Consequently, our distribution levels may fluctuate. Our failure to meet the market's expectations with regard to future cash distributions likely would adversely affect the market price of our common stock.

We are substantially dependent on our business relationship with WestRock, and our continued success will depend on its economic performance.

The Mahrt Timber Agreements we entered into with WestRock provide that we will sell specified amounts of timber to WestRock, subject to market pricing adjustments and certain early termination rights of the parties. The Mahrt

7

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Table of Contents

Index to Consolidated Financial Statements

Timber Agreements are intended to ensure a long-term source of supply of wood fiber products for WestRock, in order to meet its paperboard and lumber production requirements at specified mills and provide us with a reliable customer for the wood products from our timberlands. Our financial performance is substantially dependent on the economic performance of WestRock as a consumer of our wood products. Approximately 17% of our net timber sales revenue for 2016 was derived from the Mahrt Timber Agreements, which significantly exceeded the minimum amount of timber that WestRock was required to purchase pursuant to the Mahrt Timber Agreements. If WestRock does not continue to purchase significantly more than the minimum amount of timber it is required to purchase from us, or if WestRock becomes unable to purchase the required minimum amount of timber from us, there could be a material adverse effect on our business and financial condition.

In addition, in the event of a force majeure impacting WestRock, which is defined by the Mahrt Timber Agreements to include, among other things, lightning, fires, storms, floods, infestation, other acts of God or nature, power failures and labor strikes or lockouts by employees, the amount of timber that WestRock is required to purchase in the calendar year would be reduced pro rata based on the period during which the force majeure was in effect and continuing. If the force majeure is in effect and continuing for 15 days or more, WestRock would not be required to purchase the timber that was not purchased during the force majeure period. If the force majeure is in effect and continuing for fewer than 15 days, WestRock would have up to 180 days after the termination of the force majeure period to purchase the timber that was not purchased during the force majeure period. As a result, the occurrence of a force majeure under the terms of the Mahrt Timber Agreements could adversely impact our business and financial condition.

If we are unable to find suitable investments or pay too much for properties, we may not be able to achieve our investment objectives, and the returns on our investments will be lower than they otherwise would be.

A key component of our business and growth strategies is pursue timberland acquisition opportunities. Our ability to identify and acquire desirable timberlands depends upon the performance of our management team in the selection of our investments. We also face significant competition in pursuing timberland investments from other REITs; real estate limited partnerships, pension funds and their advisors; bank and insurance company investment accounts; individuals; and other entities. The market for high-quality timberland is highly competitive given how infrequently those assets become available for purchase. As a result, many real estate investors have built up their cash positions and face aggressive competition to purchase quality timberland assets. A significant number of entities and resources competing for high-quality timberland properties support relatively high acquisition prices for such properties, which may reduce the number of acquisition opportunities available to, or affordable for, us and could put pressure on our profitability and our ability to pay distributions to stockholders. In addition, our future acquisitions, if any, may not perform in accordance with our expectations. Finally, we anticipate financing these acquisitions through proceeds from debt or equity offerings (including offerings of partnership units by our operating partnership), borrowings, cash from operations, proceeds from asset dispositions, or any combination thereof, and our inability to finance acquisitions on favorable terms or the failure of any acquisitions to conform to our expectations, could adversely affect our results of operations. We cannot assure you that we will be successful in obtaining suitable investments on financially attractive terms, that we will be able to finance the purchase of such investments or that, if we make investments, our objectives will be achieved.

We depend on external sources of capital for future growth and our ability to access the capital markets may be restricted.

Our ability to finance our growth is, to a significant degree, dependent on external sources of capital, our ability to access such capital on favorable terms could be hampered by a number of factors, many of which are outside of our control, including, without limitation, a decline in general market conditions, decreased market liquidity, increases in

interest rates, an unfavorable market perception of our growth potential, a decrease in our current or estimated future earnings or a decrease in the market price of our common stock. In addition, our ability to access additional capital may be limited by the terms of our bylaws, which restrict our incurrence of debt, and by our existing indebtedness, which, among other things, restricts our incurrence of debt and the payment of dividends. Any of these factors, individually or in combination, could prevent us from being able to obtain the capital we require on terms that are acceptable to us, and the failure to obtain necessary capital could materially adversely affect our future growth.

Table of Contents

Index to Consolidated Financial Statements

As a relatively small public company, our general and administrative expenses are a larger percentage of our total revenues than many other public companies.

Our total assets as of December 31, 2016 were \$709.8 million and our revenues for the year ended December 31, 2016 were \$81.9 million. Because our company is smaller than many other publicly-traded REITs, our general and administrative expenses are, and will continue to be, a larger percentage of our total revenues than many other public companies. If we are unable to access external sources of capital and grow our business, our general and administrative expenses will have a greater effect on our financial performance and may reduce the amount of cash flow available to distribute to our stockholders.

We are dependent on FRC and AFM to manage our timberlands.

We are party to timberland operating agreements with FRC and AFM (collectively, the "Forest Managers"), which are renewable on an annual basis. Pursuant to these agreements, we depend upon our Forest Managers to manage and operate our timberlands and related timber operations, and to ensure delivery of timber to our customers. To the extent we lose the services of our Forest Managers, we are unable to obtain the services of our Forest Managers at a reasonable price, or our Forest Managers do not perform the services in accordance with the timberland operating agreements, our results of operations may be adversely affected.

Our real estate investment activity is concentrated in timberlands, making us more vulnerable economically than if our investments were diversified.

We have only acquired timberlands and expect to make additional timberlands acquisitions in the future. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our strategy to invest primarily, if not exclusively, in timberlands. A downturn in the real estate industry generally or the timber or forest products industries specifically could reduce the value of our properties and could require us to recognize impairment losses from our properties. A downturn in the timber or forest products industries also could prevent our customers from making payments to us and, consequently, would prevent us from meeting debt service obligations or making distributions to our stockholders. The risks we face may be more pronounced than if we diversified our investments outside real estate or outside timberlands.

Our timberlands are located in the U.S. South, and adverse economic and other developments in that area could have a material adverse effect on us.

All of our timberlands are located in the U.S. South. As a result, we may be susceptible to adverse economic and other developments in this region, including industry slowdowns, business layoffs or downsizing, relocations of businesses, changes in demographics, increases in real estate and other taxes and increased regulation, any of which could have a material adverse effect on us.

In addition, the geographic concentration of our property makes us more susceptible to adverse impacts from a single natural disaster such as fire, hurricane, earthquake, insect infestation, drought, disease, ice storms, windstorms, flooding and other factors that could negatively impact our timber production.

We depend on the efforts and expertise of our key executive officers and would be adversely affected by the loss of their services.

We depend on the efforts and expertise of our Chief Executive Officer, our Chief Operating Officer and our Chief Financial Officer, to execute our business strategy and we cannot guarantee their continued service. The loss of their services, and our inability to find suitable replacements, would have an adverse effect on our business.

Table of Contents

Index to Consolidated Financial Statements

If we fail to maintain an effective system of disclosure controls and procedures and integrated internal controls, we may not be able to report our financial results accurately, which could have a material adverse effect on us.

We are required to report our operations on a consolidated basis in accordance with GAAP. If we fail to maintain proper overall business controls, our results of operations could be harmed or we could fail to meet our reporting obligations. In addition, the existence of a material weakness or significant deficiency could result in errors in our financial statements that could require a restatement, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our reported financial information, which could have a material adverse effect on us. In addition, we will have to modify our disclosure controls and procedures and internal controls in connection with our transition to self-management, which may increase the risk to us of experiencing a significant deficiency or material weakness in our internal controls or failing to maintain effective disclosure controls and procedures. If we fail to establish and maintain such new controls effectively, we may experience inaccuracies or delays in our financial reporting. In the case of any joint ventures we might enter into, we may also be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputation damage relating to, overall business controls, that are not under our control which could have a material adverse effect on us. In addition, we rely on our Forest Managers and their systems to provide us with certain information related to our operations, including our timber sales. Although we review such information prior to incorporating it into our accounting systems, we cannot assure the accuracy of such information. If the Forest Managers' systems fail to accurately report to us the information on which we rely, we may not be able to accurately report our financial results, which could have a material adverse effect on us.

The costs requirements of complying with the Exchange Act and the Sarbanes Oxley Act may strain our resources and occupy the time and energies of management.

We are subject to the Exchange Act and the Sarbanes Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act") including Section 404 of the Sarbanes-Oxley Act. The Sarbanes Oxley Act requires that we maintain and certify that we have effective disclosure controls and procedures and internal control over financial reporting. The effort to comply with these requirements and maintain effective internal controls may divert management's attention from other business concerns, which could adversely affect our business, financial condition or results of operations.

We have experienced net losses attributable to our common stockholders historically and may experience losses again in the future.

From our inception through the end of 2016, other than in 2014, we have incurred net losses attributable to our common stockholders. Historical net losses have generally been a result of non-cash charges, including depletion expense. If we are unable to generate net income in the future, and continue to incur net losses, our financial condition, results of operations, cash flows, and our ability to service our indebtedness and make distributions to our stockholders would be materially and adversely affected, any of which could adversely affect the market price of our common stock.

We are subject to the credit risk of our customers. The failure of any of our customers to make payments due to us under supply agreements could have an adverse impact on our financial performance.

Current and future customers who agree to purchase our timber under supply contracts will range in credit quality from high to low. We assume the full credit risk of these parties, as we have no payment guarantees under the contract or insurance if one of these parties fails to make payments to us. While we intend to continue acquiring timberlands in well-developed and active timber markets with access to numerous customers, we may not be successful in this endeavor. Depending upon the location of any additional timberlands we acquire and the supply agreements we enter



into, our supply agreements may be concentrated among a small number of customers. Even though we may have legal recourse under our contracts, we may not have any practical recourse to recover payments from some of our customers if they default on their obligations to us. Any bankruptcy or insolvency of our customers, or failure or delay by these parties to make payments to us under our agreements, would cause us to lose the revenue associated with these payments and adversely impact our cash flow, financial condition, and results of operations.

Table of Contents

Index to Consolidated Financial Statements

We intend to sell portions of our timberlands, either because they are HBU properties or in response to changing conditions, but if we are unable to sell these timberlands promptly or at the price that we anticipate, our land sale revenues may be reduced, which could reduce the cash available for distribution to our stockholders.

On an annual basis, we intend to sell approximately 1% to 2% of our fee timberland acreage, specifically timberlands that we have determined have become more valuable for development, recreational, conservation and other uses than for growing timber, which we refer to as HBU properties. We intend to use the proceeds from these sales to support our distributions to our stockholders. We may also sell portions of our timberland from time to time in response to changing economic, financial or investment conditions. Because timberlands are relatively illiquid investments, our ability to promptly sell timberlands is limited. The following factors, among others, may adversely affect the timing and amount of our income generated by sales of our timberlands:

- general economic conditions;
- availability of funding for governmental agencies, developers, conservation organizations, individuals and others to purchase our timberlands for recreational, conservation, residential or other purposes;
- local real estate market conditions, such as oversupply of, or reduced demand for, properties sharing the same or similar characteristics as our timberlands;
- competition from other sellers of land and real estate developers;
- weather conditions or natural disasters having an adverse effect on our properties;
- relative illiquidity of real estate investments;
- forestry management costs associated with maintaining and managing timberlands;
- changes in interest rates and in the availability, cost and terms of debt financing;
- impact of federal, state and local land use and environmental protection laws;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances, and the related costs of compliance with laws and regulations, fiscal policies and ordinances; or
- it may be necessary to delay sales in order to minimize the risk that gains would be subject to the 100% prohibited transactions tax.

In acquiring timberlands and in entering into long-term supply agreements, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond quickly to market opportunities could adversely impact our results of operations and reduce our cash available to pay distributions to our stockholders.

Large-scale increases in the supply of timber may affect timber prices and reduce our revenues.

The supply of timber available for sale in the market could increase for a number of reasons, including producers introducing new capacity or increasing harvest levels. Some governmental agencies, principally the U.S. Department of Agriculture's Forest Service (the "U.S.D.A. Forest Service") and the U.S. Department of the Interior's Bureau of Land Management, own large amounts of timberlands. If these agencies choose to sell more timber from their holdings than they have been selling in recent years, timber prices could fall and our revenues could be reduced. Any large reduction in the revenues we expect to earn from our timberlands would reduce the returns, if any, we are able to achieve for our stockholders.

Uninsured losses relating to the timberlands we own and may acquire may reduce our stockholders' returns.

The volume and value of timber that can be harvested from the timberlands we own and may acquire may be limited by natural disasters such as fire, hurricane, earthquake, insect infestation, drought, disease, ice storms, windstorms, flooding, and other weather conditions and natural disasters, as well as other causes such as theft, trespass,

condemnation

11

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Table of Contents

Index to Consolidated Financial Statements

or other casualty. We do not intend to maintain insurance for any loss to our standing timber from natural disasters or other causes. Any funds used for such losses would reduce cash available for distributions to our stockholders.

Harvesting our timber may be subject to limitations that could adversely affect our results of operations.

Our primary assets are our timberlands. Weather conditions, timber growth cycles, property access limitations, availability of contract loggers and haulers, and regulatory requirements associated with the protection of wildlife and water resources may restrict our ability to harvest our timberlands. Other factors that may restrict our timber harvest include damage to our standing timber by fire, hurricane, earthquake, insect infestation, drought, disease, ice storms, windstorms, flooding and other weather conditions and natural disasters. Changes in global climate conditions could intensify one or more of these factors. Although damage from such causes usually is localized and affects only a limited percentage of standing timber, there can be no assurance that any damage affecting our timberlands will in fact be so limited. As is common in the forest products industry, we do not maintain insurance coverage for damage to our timberlands. Furthermore, we may choose to invest in timberlands that are intermingled with sections of federal land managed by the U.S.D.A. Forest Service or other private owners. In many cases, access might be achieved only through a road or roads built across adjacent federal or private land. In order to access these intermingled timberlands, we would need to obtain either temporary or permanent access rights to these lands from time to time. Our revenue, net income, and cash flow from our operations will be dependent to a significant extent on the continued ability to harvest timber on our timberlands at adequate levels and in a timely manner. Therefore, if we were to be restricted from harvesting on a significant portion of our timberlands for a prolonged period of time, or if material damage to a significant portion of our standing timber were to occur, then our results of operations could be adversely affected.

We face possible liability for environmental clean-up costs and wildlife protection laws related to the timberlands we acquire, which could increase our costs and reduce our profitability and cash distributions to our stockholders.

Our business is subject to laws, regulations, and related judicial decisions and administrative interpretations relating to, among other things, the protection of timberlands, endangered species, timber harvesting practices, recreation and aesthetics and the protection of natural resources, air and water quality that are subject to change and frequently enacted. These changes may adversely affect our ability to harvest and sell timber, and remediate contaminated properties. We are subject to regulation under, among other laws, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the National Environmental Policy Act and the Endangered Species Act, as well as comparable state laws and regulations. Violations of various statutory and regulatory programs that apply to our operations could result in civil penalties; damages, including natural resource damages; remediation expenses; potential injunctions; cease-and-desist orders; and criminal penalties.

Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to the person's negligence or fault. We may acquire timberlands subject to environmental liabilities, such as clean-up of hazardous substance contamination and other existing or potential liabilities of which we are not aware, even after investigations of the properties. We may not be able to recover any of these liabilities from the sellers of these properties. The cost of these clean-ups could therefore increase our operating costs and reduce our profitability and cash available to make distributions to our stockholders. The existence of contamination or liability also may materially impair our ability to use or sell affected timberlands.

The Endangered Species Act and comparable state laws protect species threatened with possible extinction. At least one species present on our timberlands has been, and in the future more may be, protected under these laws. Protection of threatened and endangered species may include restrictions on timber harvesting, road-building, and

other forest practices on private, federal, and state land containing the affected species. The size of the area subject to restriction varies depending on the protected species at issue, the time of year, and other factors, but can range from less than one acre to several thousand acres.

Table of Contents

Index to Consolidated Financial Statements

The Clean Water Act regulates the direct and indirect discharge of pollutants into the waters of the United States. Under the Clean Water Act, it is unlawful to discharge any pollutant from a “point source” into navigable waters of the United States without a permit obtained under the National Pollutant Discharge Elimination System permit program of the Environmental Protection Agency (the "EPA"). Storm water from roads supporting timber operations that is conveyed through ditches, culverts and channels are exempted by EPA rule from this permit requirement, leaving these sources of water discharge to state regulation. The scope of these state regulations vary by state and are subject to change, and the EPA’s exemption has recently been subject to legal challenges and legislative responses. To the extent we are subject to future federal or state regulation of storm water runoff from roads supporting timber operations, our operational costs to comply with such regulations could increase and our results of operations could be adversely affected.

Our estimates of the timber growth rates on our properties may be inaccurate, which would impair our ability to realize expected revenues from those properties.

We rely upon estimates of the timber growth rates and yield when acquiring and managing timberlands. These estimates are central to forecasting our anticipated timber revenues and expected cash flows. Growth rates and yield estimates are developed by forest statisticians using measurements of trees in research plots on a property. The growth equations predict the rate of height and diameter growth of trees so that foresters can estimate the volume of timber that may be present in the tree stand at a given age. Tree growth varies by soil type, geographic area, and climate. Inappropriate application of growth equations in forest management planning may lead to inaccurate estimates of future volumes. If these estimates are inaccurate, our ability to manage our timberlands in a profitable manner will be diminished, which may cause our results of operations to be adversely affected.

Changes in assessments, property tax rates and state property tax laws may reduce our net income and our ability to make distributions to our stockholders.

Our expenses may be increased by assessments of our timberlands and changes in property tax laws. We generally intend to hold our timberlands for a substantial amount of time. Property values tend to increase over time, and as property values increase, the related property taxes generally also increase, which would increase the amount of taxes we pay. In addition, changes to state tax laws or local initiatives could also lead to higher tax rates on our timberlands. Because each parcel of a large timberland property is independently assessed for property tax purposes, our timberlands may receive a higher assessment and be subject to higher property taxes. In some cases, the cost of the property taxes may exceed the income that could be produced from that parcel if we continue to hold it as timberland. If our timberlands become subject to higher tax rates, such costs could have a material adverse effect on our financial condition, results of operations and ability to make distributions to our stockholders.

Changes in land uses in the vicinity of our timberlands may increase the amount of the property that we classify as HBU properties, and property tax regulations may reduce our ability to realize the values of those HBU properties.

An increase in the value of other properties in the vicinity of our timberlands may prompt us to sell parcels of our land as HBU properties. Local, county and state regulations may prohibit us from, or penalize us for, selling a parcel of timberland for real estate development. Some states regulate the number of times that a large timberland property may be subdivided within a specified time period, which would also limit our ability to sell our HBU property. In addition, in some states timberland is subject to certain property tax policies that are designed to encourage the owner of the timberland to keep the land undeveloped. These policies may result in lower taxes per acre for our timberlands as long as they are used for timber purposes only. However, if we sell a parcel of timberland in such states as HBU property, we may trigger tax penalties, which could require us to repay all of the tax benefits that we have received. Our inability to sell our HBU properties on terms that are favorable to us could negatively affect our financial condition

and our ability to make distributions to our stockholders.

Table of Contents

Index to Consolidated Financial Statements

We may be unable to properly estimate non-timber revenues from any properties that we acquire, which would impair our ability to acquire attractive properties, as well as our ability to derive the anticipated revenues from those properties.

If we acquire additional properties, we likely will expect to realize revenues from timber and non-timber-related activities, such as the sale of conservation easements and recreational leases. Non-timber activities can contribute significantly to the revenues that we derive from a particular property. We will rely on estimates to forecast the amount and extent of revenues from non-timber-related activities on our timberlands. If our estimates concerning the revenue from non-timber-related activities are incorrect, we will not be able to realize the projected revenues. If we are unable to realize the level of revenues that we expect from non-timber activities, our revenues from the underlying timberland would be less than expected and our results of operations and ability to make distributions to our stockholders may be negatively impacted.

The impacts of any climate-related legislation or regulation remain uncertain at this time.

There are several international, federal and state-level proposals addressing domestic and global climate issues. Generally, such proposals in the United States could impose regulation or taxation on the production of carbon dioxide and other “greenhouse gases” in an attempt to reduce emissions to the atmosphere, and provide tax and other incentives to produce and use more “clean energy.” Any future legislative and regulatory activity in this area could, in some way, affect us, but it is unclear at this time whether any such impact would be positive, negative or significant.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include confidential information. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing confidential information, such as individually identifiable information relating to financial accounts. Although we have taken steps to protect the security of the data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems’ improper functioning, or the improper disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect us.

Changes in energy and fuel costs could affect our results of operations and financial condition.

Energy costs are a significant operating expense for our logging and hauling contractors and for the contractors who support the customers of our standing timber. Energy costs can be volatile and are susceptible to rapid and substantial increases due to factors beyond our control, such as changing economic conditions, political unrest, instability in energy-producing nations, and supply and demand considerations. Although the price of oil has recently decreased, increases in the price of oil could adversely affect our business, financial condition and results of operations. In addition, an increase in fuel costs, and its impact on the cost and availability of transportation for our products and the cost and availability of third party logging and hauling contractors, could have a material adverse effect on the operating costs of our contractors and our standing timber customers as well as in defining economically accessible timber stands. Such factors could in turn have a material adverse effect on our business, financial condition and results



of operations.

Any joint ventures that we may enter into may pose unique risks.

We may participate in joint ventures in the future, including, but not limited to, joint ventures involving the ownership and management of timberlands. Any joint venture involves risks including, but not limited to, the risk that one or

14

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Table of Contents

Index to Consolidated Financial Statements

more of our joint venture partners takes actions that are contrary to our agreed upon terms, our instructions to them or to our policies or objectives, any one of which could cause adverse consequences for us.

In the event that we make international investments, we will be subject to changes in global market trends that could adversely impact our ability to make distributions to our stockholders.

We may determine to acquire timberlands located in timber-producing regions outside the United States. These international investments could cause our business to be subject to unexpected, uncontrollable and rapidly changing events and circumstances in addition to those experienced in U.S. locations. Adverse changes in the following factors, among others, could have a negative impact on our business, results of operations, and our financial condition:

- effects of exposure to currency other than U.S. dollars, due to having non-U.S. customers and foreign operations;
- potentially adverse tax consequences, including restrictions on the repatriation of earnings;
- regulatory, social, political, labor or economic conditions in a specific country or region; and
- trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, and import and export licensing requirements.

Risks Related to Our Organizational Structure

Our board of directors may change significant corporate policies without stockholder approval.

Our investment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of our board of directors without a vote of our stockholders. As a result, the ability of our stockholders to control our policies and practices is extremely limited. In addition, our board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal and regulatory requirements, including the listing standards of the NYSE. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flows, trading price of our common stock, ability to satisfy our debt service obligations and to make distributions to our stockholders.

Our board of directors may increase the number of authorized shares of stock and issue stock without stockholder approval, including in order to discourage a third party from acquiring our company in a manner that could result in a premium price to our stockholders.

Subject to applicable legal and regulatory requirements, our charter authorizes our board of directors, without stockholder approval, to amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into other classes or series of stock and to set the preferences, rights and other terms of such classified or unclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. In addition, our board of directors could establish a series of preferred stock that could, depending on the terms of such series, delay, defer, or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders may believe is in their best interests.



Table of Contents

Index to Consolidated Financial Statements

In order to preserve our status as a REIT, our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price for our common stock or otherwise benefit our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT for U.S. federal income tax purposes. Unless exempted by our board of directors (prospectively or retroactively), no person may actually or constructively own more than 9.8% in value of the outstanding shares of our capital stock or more than 9.8% (by value or number of shares, whichever is more restrictive) of the outstanding shares of our common stock. This restriction may have the effect of delaying, deferring, or preventing a change in control of our company, including an extraordinary transaction (such as a merger, tender offer, or sale of all or substantially all of our assets) that might provide a premium price for our common stock or otherwise be in the best interest of our stockholders.

Certain provisions of Maryland law could inhibit changes in control of us, which could lower the value of our common stock.

Certain provisions of the Maryland General Corporation Law ("MGCL"), may have the effect of inhibiting or deterring a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

"business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding stock) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter may impose super majority stockholder voting requirements unless certain minimum price conditions are satisfied; and

"control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of outstanding "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, following our opt out, in the future, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and our board of directors may, by amendment to our bylaws and without stockholder approval, opt in to the control share provisions of the MGCL.

Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board. Such takeover defenses may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then current market price.

In addition, the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our stockholders

may believe to be in their best interests. Likewise, if our board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded by our board of directors, these provisions of the MGCL could have similar anti-takeover effects.

Table of Contents

Index to Consolidated Financial Statements

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit our stockholders' recourse in the event of actions that the stockholders do not believe are in their best interests.

Maryland law provides that a director or officer has no liability in that capacity if he or she satisfies his or her duties to us. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter obligates us to indemnify our directors and officers for actions taken by them in that capacity to the maximum extent permitted by Maryland law. The indemnification agreements that we entered into with our directors and certain of our officers also require us to indemnify these directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholder may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, the stockholders' ability to recover damages from such director or officer will be limited. In addition, we are obligated to advance the defense costs incurred by our directors and our officers, and may, in the discretion of our board of directors, advance the defense costs incurred by our employees and other agents in connection with legal proceedings.

#### Risks Related to Our Debt Financing

Our existing indebtedness and any future indebtedness we may incur could adversely affect our financial health and operating flexibility.

We are party to a credit agreement (the "2014 Amended Credit Agreement") that provides for a senior secured credit facility of up to \$500 million, which includes a \$100 million term loan facility, a \$35 million revolving credit facility, and a \$365 million multi-draw credit facility. We had a total of \$326 million outstanding as of December 31, 2016, \$100 million of which was outstanding on the term loan and \$226 million of which was outstanding on the multi-draw credit facility.

Our existing indebtedness and any indebtedness we may incur in the future could have important consequences to us and the trading price of our common stock, including:

- limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of our growth strategy or other purposes;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a portion of these funds to service the debt;
- increasing our vulnerability to general adverse economic and industry conditions, including increases in interest rates;
- limiting our ability to capitalize on business opportunities, including the acquisition of additional properties, and to react to competitive pressures and adverse changes in government regulation;
- limiting our ability or increasing the costs to refinance indebtedness;
- limiting our ability to enter into marketing and hedging transactions by reducing the number of counterparties with whom we can enter into such transactions as well as the volume of those transactions;
- forcing us to dispose of one or more properties, possibly on disadvantageous terms;
- forcing us to sell additional equity securities at prices that may be dilutive to existing stockholders;



Table of Contents

Index to Consolidated Financial Statements

causing us to default on our obligations or violate restrictive covenants, in which case the lenders or mortgagees may accelerate our debt obligations, foreclose on the properties that secure their loans and take control of our properties that secure their loans and collect rents and other property income; and in the event of a default under any of our recourse indebtedness or in certain circumstances under our mortgage indebtedness, we would be liable for any deficiency between the value of the property securing such loan and the principal and accrued interest on the loan.

If any one of these events were to occur, our financial condition, results of operations, cash flow and our ability to satisfy our principal and interest obligations could be materially and adversely affected.

Our financial condition could be adversely affected by financial and other covenants and other provisions under the 2014 Amended Credit Agreement or other debt agreements.

Pursuant to the 2014 Amended Credit Agreement, we are required to comply with certain financial and operating covenants, including, among other things, covenants that require us to maintain certain leverage and coverage ratios and covenants that prohibit or restrict our ability to incur additional indebtedness, grant liens on our real or personal property, make certain investments, dispose of our assets and enter into certain other types of transactions. The 2014 Amended Credit Agreement also prohibits us from declaring, setting aside funds for, or paying any dividend, distribution, or other payment to our stockholders other than as required to maintain our REIT qualification if our LTV ratio is greater than or equal to 45%. We may declare and pay distributions so long as our LTV ratio remains below 45% and we maintain a minimum fixed-charge coverage ratio of 1.05:1.00, and a minimum liquidity balance, as defined by the 2014 Amended Credit Agreement, of \$20 million. This requirement has restricted our ability to pay cash distributions in the past. Our credit agreement also subjects us to mandatory prepayment from proceeds generated from dispositions of timberlands or lease terminations, which may have the effect of limiting our ability to make distributions under certain circumstances. Provided that no event of default has occurred and the LTV ratio, calculated after giving effect to the disposition, does not exceed 40%, the mandatory prepayment requirement excludes (1) net real property disposition proceeds until the aggregate amount of such proceeds received during any fiscal year exceeds 2% of the book value of the timberlands; and (2) lease termination proceeds until the amount of such proceeds exceeds 0.5% of the book value of the timberlands in a single termination or 1.5% in aggregate over the term of the facility. These restrictions may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. In addition, a breach of these covenants or other event of default would allow CoBank to accelerate payment of the loan. Given the restrictions in our debt covenants on these and other activities, we may be significantly limited in our operating and financial flexibility and may be limited in our ability to respond to changes in our business or competitive activities in the future.

We may incur additional indebtedness which could increase our business risks and may reduce the value of your investment.

We have acquired, and in the future may acquire, real properties by borrowing funds. In addition, we may incur mortgage debt and pledge some or all of our real properties as security for that debt to obtain funds to acquire additional real properties. We may also borrow funds if needed to satisfy the REIT tax qualification requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders. We may also borrow funds if we otherwise deem it necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes. Our bylaws do not limit us from incurring debt until our aggregate debt would exceed 200% of our net assets.



Significant borrowings by us increase the risks of a stockholder's investment. If there is a shortfall between the cash flow from our properties and the cash flow needed to service our indebtedness, then the amount available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, thus reducing the value of a stockholder's investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage

Table of Contents

Index to Consolidated Financial Statements

exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages or other indebtedness contains cross-collateralization or cross-default provisions, a default on a single loan could affect multiple properties.

Our decision to hedge against interest rate changes may have a material adverse effect on our financial results and condition, and there is no assurance that our hedges will be effective.

We use interest rate hedging arrangements in order to manage our exposure to interest rate volatility. These hedging arrangements involve risk, including the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes, that the amount of income that we may earn from hedging transactions may be limited by federal tax provisions governing REITs, and that these arrangements may result in higher interest rates than we would otherwise pay. Moreover, no amount of hedging activity can completely insulate us from the risks associated with changes in interest rates. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations and financial condition.

Our investment strategies employ a significant amount of leverage.

Our investment strategies generally employ leverage. Our financing arrangements and their related hedging instruments contain operating and financial covenants with which we must comply on a continuing basis. Our failure to comply with these operating and financial covenants could result in one or more of our financing or hedging arrangements being declared in default, cancelled or not renewed.

High mortgage interest rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income, and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable interest rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans become due, or of being unable to refinance on favorable terms. If interest rates are higher when we refinance the properties, our net income could be reduced. If any of these events occur, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

Increases in interest rates could increase the amount of our debt payments and hinder our ability to pay distributions to our stockholders.

We have incurred significant indebtedness that accrues interest at a variable rate, and we may incur additional debt in the future. Interest we pay under the 2014 Amended Credit Agreement and any other debt we incur will reduce our operating cash flows and hinder our ability to make distributions to our stockholders. Additionally, if we incur additional variable-rate debt, increases in interest rates would increase our interest cost, which would reduce our cash flows and our ability to pay distributions to our stockholders. In addition, if we need to repay existing debt during periods of high interest rates, we could be required to sell one or more of our investments in order to repay the debt, which sale at that time might not permit realization of the maximum return on such investments.

Economic conditions may have an impact on our business, our financial condition, and our ability to obtain debt financing in ways that we currently cannot predict.

Turmoil in the global financial system may have an impact on our business and our financial condition. Despite improved access to capital for some companies, the capital and credit markets continue to be affected by extreme volatility and have experienced disruption during the past several years. The health of the global capital markets remains a concern. We have relied on debt financing to finance our timberlands. As a result of the uncertainties in the credit

Table of Contents

Index to Consolidated Financial Statements

market, we may not be able to refinance our existing indebtedness or to obtain additional debt financing on attractive terms. If we are not able to refinance existing indebtedness on attractive terms at its maturity, we may be forced to dispose of some of our assets. Disruptions in the financial markets could have an impact on our interest rate swap agreements if our counterparties are forced to default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, or other reasons. We may be materially and adversely affected in the event of a significant default by one of our counterparties. In addition, depressed economic conditions could influence the levels of consumer spending and reduce the demand for goods produced from our wood, which would have a material adverse effect on our financial condition. Our ability to make future principal and interest payments on our debt depends upon our future performance, which is subject to general economic conditions; industry cycles; and financial, business, and other factors affecting our operations, many of which are beyond our control.

Federal Income Tax Risks

Failure to continue to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders and materially and adversely affect our financial condition and results of operations.

We believe that we have been organized, owned and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and that our intended manner of ownership and operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. Our qualification as a REIT depends upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, and other tests imposed by the Code. We cannot assure you that we will satisfy the requirements for REIT qualification in the future. Future legislative, judicial or administrative changes to the federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to qualify as a REIT for any taxable year, we will be subject to federal and state income tax on our taxable income, if any, at corporate rates and, possibly, penalties. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. To the extent we have taxable net income, losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends-paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax. Our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock.

Even if we continue to qualify to be taxed as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flows.

Even if we continue to qualify to be taxed as a REIT for federal income tax purposes, we may be subject to some federal, state, and local taxes on our income or property. For example:

In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income (including net capital gain), we will be subject to federal and state corporate income tax on the undistributed income.

• We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income, and 100% of

our undistributed income from prior years.

20

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Table of Contents

Index to Consolidated Financial Statements

If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.

If we sell a property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain may be subject to the 100% “prohibited transaction” tax.

- Our taxable REIT subsidiaries will be subject to tax on their taxable income.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on stockholders’ investments.

As a REIT, we would be subject to a 100% tax on any net income from “prohibited transactions.” In general, prohibited transactions are sales or other dispositions of property to customers in the ordinary course of business unless we qualify for a safe harbor exception. Delivered logs, if harvested and sold by a REIT directly, would likely constitute property held for sale to customers in the ordinary course of business and would, therefore, be subject to the prohibited transactions tax if sold at a gain. Accordingly, we sell standing timber to CatchMark TRS under pay-as-cut contracts which generate capital gain to us under Section 631(b) of the Code (to the extent the timber has been held by us for more than one year), and CatchMark TRS, in turn, harvests such timber and sells logs to WestRock. This structure should avoid the prohibited transactions tax, and we use a similar structure for the sale of delivered logs to other customers. However, if the IRS were to successfully disregard CatchMark TRS’ role as the harvester and seller of such logs for federal income tax purposes, our income, if any, from such sales could be subject to the 100% prohibited transaction tax. In addition, sales by us of HBU property at the REIT level could, in certain circumstances, constitute prohibited transactions. We intend to avoid the 100% prohibited transaction tax by satisfying safe harbors in the Code, structuring dispositions as non-taxable like kind exchanges or making sales that otherwise would be prohibited transactions through one or more TRSs whose taxable income is subject to regular corporate income tax. We may not, however, always be able to identify properties that might be treated as part of a “dealer” land sales business. For example, if we sell any HBU properties at the REIT level that we incorrectly identify as property not held for sale to customers in the ordinary course of business or that subsequently become properties held for sale to customers in the ordinary course of business, we may be subject to the 100% prohibited transactions tax.

The taxable income of CatchMark TRS is subject to federal and applicable state and local income tax. While we seek to structure the pricing of our timber sales to CatchMark TRS at market rates, the IRS could assert that such pricing does not reflect arm’s-length pricing and impute additional taxable income to CatchMark TRS or impose excise taxes.

To maintain our REIT status, we may be forced to forgo otherwise attractive opportunities, which could lower the return on stockholders’ investments.

To qualify as a REIT, we must satisfy tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets, and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Even though we intend to maintain our REIT status, our cash dividends are not guaranteed and may fluctuate.

Each year, REITs are required to distribute 90% of their REIT taxable income, determined without regard to the dividends-paid deduction and excluding net capital gain. We have substantial net operating losses that, subject to possible limitations, will reduce our taxable income. In addition, capital gains may be retained by us but would be

subject to income taxes. If capital gains are retained rather than distributed, our stockholders would be notified and they would be deemed to have received a taxable distribution, with a refundable credit for any federal income tax paid by us. Accordingly, we will not be required to distribute material amounts of cash if substantially all of our taxable income is income from timber-cutting contracts or sales of timberland that is treated as capital gains income. Our board of directors, in its sole discretion, determines the amount of quarterly dividends to be provided to our stockholders

Table of Contents

Index to Consolidated Financial Statements

based on consideration of a number of factors, including but not limited to, tax considerations. Consequently, our dividend levels may fluctuate.

Our use of taxable REIT subsidiaries may affect the value of our common stock relative to the share price of other REITs.

We conduct a portion of our business activities through one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying REIT income if earned directly by us. Our use of TRSs enables us to engage in non-REIT-qualifying business activities. However, under the Code, no more than 25% (20% after 2017) of the value of the assets of a REIT may be represented by securities of one or more TRSs. This limitation may affect our ability to increase the size of our non-REIT-qualifying operations. Furthermore, because the income earned by our TRSs is subject to corporate income tax and is not subject to the requirement to distribute annually at least 90% of our REIT taxable income to our stockholders, our use of TRSs may cause our common stock to be valued differently than the shares of other REITs that do not use TRSs as extensively as we use them.

We may be limited in our ability to fund distributions on our capital stock and pay our indebtedness using cash generated through our TRSs.

Our ability to receive dividends from our TRSs is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of gross income for each taxable year as a REIT must be derived from passive real estate sources including sales of our standing timber and other types of qualifying real estate income, and no more than 25% of our gross income may consist of dividends from TRSs and other non-real estate income. This limitation on our ability to receive dividends from our TRSs may affect our ability to fund cash distributions to our stockholders or make payments on our borrowings using cash flows from our TRSs. The net income of our TRSs is not required to be distributed, and income that is not distributed will not be subject to the REIT income distribution requirement.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the market price of our common stock.

At any time, the federal income tax laws governing REITs or the administrative and judicial interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative and judicial interpretation, or any amendment to any existing federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative and judicial interpretation.

#### Risks Related to Our Common Stock

The market price and trading volume of our common stock may be volatile.

The U.S. stock markets, including the NYSE, on which our common stock listed under the symbol "CTT," have experienced significant price and volume fluctuations. As a result, the market price of shares of our common stock is likely to be similarly volatile, and investors in shares of our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.



In addition to the risks listed in this “Risk Factors” section, a number of factors could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock, including:

• the annual yield from distributions on our common stock as compared to yields on other financial instruments;

Table of Contents

Index to Consolidated Financial Statements

equity issuances by us, or future sales of substantial amounts of our common stock by our existing or future stockholders, or the perception that such issuances or future sales may occur;

short sales or other derivative transactions with respect to our common stock;

changes in market valuations of companies in the timberland or real estate industries;

increases in market interest rates or a decrease in our distributions to stockholders that lead purchasers of our common stock to demand a higher yield;

fluctuations in stock market prices and volumes;

additions or departures of key management personnel;

our operating performance and the performance of other similar companies;

actual or anticipated differences in our quarterly operating results;

changes in expectations of future financial performance or changes in estimates of securities analysts;

publication of research reports about us or our industry by securities analysts or failure of our results to meet expectations of securities analysts;

failure to qualify as a REIT;

adverse market reaction to any indebtedness we incur in the future;

strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;

the passage of legislation or other regulatory developments that adversely affect us or our industry;

speculation in the press or investment community;

changes in our earnings;

failure to satisfy the listing requirements of the NYSE;

failure to comply with the requirements of the Sarbanes-Oxley Act;

actions by institutional stockholders;

changes in accounting principles; and

general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on our cash flows, our ability to execute our business strategy and our ability to make distributions to our stockholders.

If securities analysts do not publish research or reports about our business or if they downgrade our common stock or our sector, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control analysts. Furthermore, if one or more of the analysts who do cover us downgrades our shares of common stock or our industry, or the stock of any of our competitors, the price of our shares could decline. If one or more of these analysts ceases coverage of our company, we could lose attention in the market, which in turn could cause the price of our shares of common stock to decline.

Table of Contents

Index to Consolidated Financial Statements

Future offerings of debt securities, which would be senior to our common stock, or equity securities, which would dilute our existing stockholders and may be senior to our common stock, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by offering debt or equity securities, including medium term notes, senior or subordinated notes and classes of preferred or common stock. Debt securities or shares of preferred stock will generally be entitled to receive interest payments or distributions, both current and in connection with any liquidation or sale, prior to the holders of our common stock. We are not required to offer any such additional debt or equity securities to existing common stockholders on a preemptive basis. Therefore, offerings of common stock or other equity securities may dilute the holdings of our existing stockholders. Future offerings of debt or equity securities, or the perception that such offerings may occur, may reduce the market price of our common stock or the distributions that we pay with respect to our common stock. Because we may generally issue any such debt or equity securities in the future without obtaining the consent of our stockholders, you will bear the risk of our future offerings reducing the market price of our common stock and diluting your proportionate ownership.

Increases in market interest rates may result in a decrease in the value of our common stock.

One of the factors that may influence the price of our common stock will be our distribution rate on the common stock (as a percentage of the share price of our common stock), relative to market interest rates. We have declared and paid cash distributions in each quarter during since the first quarter of 2014 and expect to declare cash distributions in the future. If market interest rates increase, prospective purchasers of our common stock may desire a higher yield on our common stock or seek securities paying higher dividends or yields. Higher interest rates would not, however, result in more funds being available for distribution and, in fact, would likely increase our borrowing costs and might decrease our funds available for distribution, and therefore we may not be able, or may not choose to, pay a higher distribution rate. As a result, if interest rates rise, it is likely that the market price of our common stock will decrease, because potential investors may require a higher dividend yield on our common stock as market rates on interest-bearing securities, such as bonds, rise.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2016, we owned interests in approximately 499,600 acres of timberland in the U.S. South, consisting of approximately 467,500 acres of fee timberlands and approximately 32,100 acres of leased timberlands. Our leased timberlands include approximately 28,700 acres under one long-term lease expiring in 2022, which we refer to as the long-term contract or the LTC lease, and approximately 3,400 acres under a single-rotation lease that expires in 2019, which we refer to as the private land management or the PLM lease. As of December 31, 2016, our timberlands contained acreage comprised of approximately 74% pine stands and 26% hardwood stands located within an attractive and competitive fiber basket encompassing a numerous and diverse group of pulp, paper, and wood products manufacturing facilities.

Table of ContentsIndex to Consolidated Financial Statements

Acres by state as of December 31, 2016	Fee	Lease	Total
Alabama	76,700	5,600	82,300
Florida	2,000	—	2,000
Georgia	253,600	26,500	280,100
Louisiana	21,300	—	21,300
North Carolina	1,600	—	1,600
South Carolina	76,400	—	76,400
Tennessee	300	—	300
Texas	35,600	—	35,600
Total:	467,500	32,100	499,600

Our timberlands contained an estimated 20.3 million tons of merchantable inventory as of December 31, 2016. The table below shows the merchantable inventory volumes by product as of December 31, 2016:

	Tons (in millions)		
Merchantable timber inventory:	Fee	Lease	Total
Pulpwood	9.7	0.6	10.3
Sawtimber <sup>(1)</sup>	9.4	0.6	10.0
Total:	19.1	1.2	20.3

<sup>(1)</sup> Includes chip-n-saw and sawtimber.

Our methods of estimating timber inventory are consistent with industry practices. We must use various assumptions and judgments to determine both our current timber inventory and the timber inventory that will be available over the harvest cycle; therefore, the physical quantity of such timber may vary significantly from our estimates. Our estimated inventory is calculated for each tract by utilizing growth formulas based on representative sample tracts and tree counts for various diameter classifications. The calculation of inventory is subject to periodic adjustments based on statistical sampling of the harvestable timbered acres, known as timber sample cruises, actual volumes harvested and other timber activity, including timberland sales. In addition to growth, the inventory calculation takes into account in-growth, which is the annual transfer of the oldest pre-merchantable age class into merchantable inventory, which currently is 15 years after stand establishment. The age at which timber is considered merchantable is reviewed periodically and updated for changing harvest practices, advanced seedling genetics, future harvest age profiles and biological growth factors.

During certain growth stages in the life of a tree stand, the value of the timber may increase significantly. For example, one such period of time is when pulpwood trees reach “chip-n-saw” size, which, in the Southern United States, generally occurs between 16-22 years in the life of a tree. Southern pine “chip-n-saw” prices may be two to three times those for pulpwood trees. Another value increase occurs when trees can be sold as large sawlogs, which generally occurs when the tree is older than approximately 23 years of age in the Southern United States. The value of a tree stand is directly tied to the age and size of the trees within that tree stand.

The graph below presents the approximate number of acres of our timberland as of December 31, 2016 by age class:

Table of Contents

Index to Consolidated Financial Statements

(1) Acres presented in the graph includes fee timberland only and excludes 46,400 acres of non-forest land and acres to be planted.

(2) Natural Pine and Hardwood represents acres that have been seeded by standing older pine trees near the site through the natural process of seeds dropping from the cones of the older trees. Natural pine sites generally include some mix of natural occurring hardwood trees as well.

(3) Planted Pine are site-prepared acres that are hand or machine planted with pine seedlings to maximize the growth potential and inventory carrying capacity of the soils. Planted pine acre inventory is devoted to pine species only.

Forests are subject to a number of natural hazards, including damage by fire, hurricanes, insects and disease. Changes in global climate conditions may intensify these natural hazards. Severe weather conditions and other natural disasters can also reduce the productivity of timberlands and disrupt the harvesting and delivery of forest products. Because our timberlands are concentrated in the U.S. South, damage from natural disasters could impact a material portion of our timberlands at one time. Our active forest management should help to minimize these risks. Consistent with the practices of other timber companies, we do not maintain insurance against loss of standing timber on our timberlands due to natural disasters or other causes.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are party to legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on our results of operations or financial condition. Nor are we aware of any such legal proceedings contemplated by governmental authorities.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of ContentsIndex to Consolidated Financial Statements

## PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information and Stockholders of Record

Our common stock trades on the NYSE under the symbol "CTT". As of February 28, 2017, we had approximately 38.8 million shares of common stock outstanding held by 1,941 stockholders of record. No other classes of our common stock were outstanding as of February 28, 2017.

The table below reflects the dividends declared per share and the range of intra-day high and low prices of our common stock, for the periods indicated, as reported by the NYSE:

	High	Low	Cash Dividend
2016			
Fourth Quarter	\$ 11.71	\$ 10.05	\$ 0.135
Third Quarter	\$ 12.58	\$ 11.28	\$ 0.135
Second Quarter	\$ 12.35	\$ 10.42	\$ 0.135
First Quarter	\$ 11.60	\$ 9.70	\$ 0.125
2015			
Fourth Quarter	\$ 11.58	\$ 10.06	\$ 0.125
Third Quarter	\$ 11.91	\$ 7.90	\$ 0.125
Second Quarter	\$ 12.29	\$ 11.26	\$ 0.125
First Quarter	\$ 12.33	\$ 11.25	\$ 0.125

## Stock Performance Graph

The following graph compares the cumulative total return of our stock from our listing on December 12, 2013 to December 31, 2016 with the Russell 3000, a broad-based market index of issuers with similar capitalization, and with the S&P Global Timber & Forestry Index, an industry specific market index of peer issuers. The graph assumes a \$100 investment in each of the indices on December 12, 2013, and the reinvestment of all dividends.

Table of ContentsIndex to Consolidated Financial Statements

The data in the following table was used to create the above graph as of the respective dates:

	12/12/2013	12/31/2013	12/31/2014	12/31/2015	12/31/2016 (1)
CatchMark Timber Trust, Inc.	\$ 100	\$ 103	\$ 87	\$ 91	\$ 96
Russell 3000	\$ 100	\$ 104	\$ 115	\$ 113	\$ 125
S&P Global Timber & Forestry Index	\$ 100	\$ 106	\$ 106	\$ 96	\$ 106

(1) Data points are the last trading day of each fiscal year. For the year ended December 31, 2016, the last trading day was December 30, 2016.

#### Dividends

Since our listing on the NYSE in December 2013, we have made and intend to continue to make regular quarterly dividend distributions to holders of our common stock as of the dividend record dates. REIT dividends generally are taxable at ordinary income rates, unless designated as capital gain dividends or as qualified dividends. Net income attributable to timber sales and timber cutting contracts generally will be long-term capital gain, and dividends attributable thereto will be capital gain dividends that are taxed to non-corporate taxpayers at rates not exceeding 20%, as compared to the maximum 39.6% rate applicable to ordinary income. All distributions treated as dividends are included in net investment income which is subject to an additional 3.8% unearned income Medicare tax in the case of high-income individuals, estates and trusts.

Our distributions to stockholders will be taxable dividends to the extent of our earnings and profits. Distributions in excess of our earnings and profits will reduce a stockholder's basis in its stock and will not be taxable except to the extent such distributions exceed the stockholder's basis in its stock. The tax treatment of our quarterly dividend distributions paid on our common stock to our stockholders during the year ended December 31, 2016 is presented below. All dividend payments were made in cash (in thousands, except for per-share data):

Table of ContentsIndex to Consolidated Financial Statements

	2016				% of Total Distribution	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Total cash distributed	\$4,811	\$5,188	\$5,191	\$5,192		
Per-share capital gain	\$—	\$—	\$—	\$—	—	%
Per-share return of capital	\$0.125	\$0.135	\$0.135	\$0.135	100	%
Total per-share distribution	\$0.125	\$0.135	\$0.135	\$0.135	100	%

The amount of distributions paid and the tax treatment thereof in prior periods are not necessarily indicative of amounts anticipated in future periods.

The amount of dividends that we may pay to our common stockholders is determined by our board of directors in its sole discretion and is dependent upon a number of factors, including, but not limited to, our financial condition, our capital requirements, our expectations of future sources of liquidity, current and future economic conditions and market demand for timber and timberlands, and tax considerations, including annual distribution requirements necessary to maintain our status as a REIT under the Code.

The terms of our credit agreement prohibit us from declaring, setting aside funds for, or paying any dividend, distribution, or other payment to our stockholders other than as required to maintain our REIT qualification if our LTV ratio is greater than or equal to 45% or we are otherwise in default as defined in the credit agreement. See Note 4 – Note Payable and Line of Credit of our accompanying consolidated financial statements for more information about our credit agreement.

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information regarding our purchases of our common stock during the quarter ended December 31, 2016:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (Or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 - October 31	—	\$—	—	\$21.2 million
November 1 - November 30	35,234	\$10.43	35,234	\$20.8 million
December 1- December 31	—	\$—	—	\$20.8 million
Total	35,234		35,234	

(1) On August 7, 2015, our Board of Directors authorized a share repurchase program under which we may repurchase up to \$30 million of our outstanding common shares. During the year ended December 31, 2016, we repurchased approximately 309,000 shares of our common stock for a total of approximately \$3.2 million. All purchases of outstanding common shares were made in open-market transactions.



Table of ContentsIndex to Consolidated Financial Statements

## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data as of and for the five years ended December 31, 2016 should be read in conjunction with the accompanying consolidated financial statements and related notes in Item 8 — Financial Statements and Supplementary Data hereof. All amounts are in thousands except for per-share, tonnage, acreage and per-acreage data.

	As of December 31,				
	2016	2015	2014	2013	2012
Cash and cash equivalents	\$9,108	\$8,025	\$17,365	\$8,614	\$11,221
Restricted cash and cash equivalents	\$—	\$—	\$—	\$—	\$2,050
Total assets	\$709,824	\$599,095	\$564,489	\$337,572	\$349,081
Total liabilities	\$328,754	\$188,057	\$119,797	\$57,640	\$138,994
Total stockholders' equity	\$381,070	\$411,038	\$444,692	\$279,932	\$210,087
Outstanding debt	\$325,656	\$185,002	\$118,000	\$52,160	\$132,356
Period End Acres					
Fee	467,500	401,200	364,700	247,200	246,300
Lease	32,100	23,800	28,600	30,900	42,500
Total	499,600	425,000	393,300	278,100	288,800
	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
Total revenues	\$81,855	\$69,122	\$54,311	\$32,048	\$44,200
Operating income (loss)	\$(4,408 )	\$(4,820 )	\$3,118	\$(8,602 )	\$(3,700 )
Net income (loss)	\$(11,070 )	\$(8,387 )	\$660	\$(13,197 )	\$(8,871 )
Net income (loss) available to common stockholders	\$(11,070 )	\$(8,387 )	\$660	\$(13,557 )	\$(9,245 )
Per-share data—basic and diluted:					
Net income (loss) available to common stockholders	\$(0.29 )	\$(0.21 )	\$0.02	\$(1.03 )	\$(0.73 )
Weighted-average common shares outstanding	38,830	39,348	31,568	13,146	12,742
Adjusted EBITDA <sup>(1)</sup>	\$36,486	\$32,168	\$23,671	\$3,469	\$15,497
Cash Flow					
Net cash provided by (used in) operating activities	\$30,849	\$28,494	\$19,845	\$(1,071 )	\$11,426
Net cash used in investing activities	\$(144,765)	\$(78,461)	\$(238,433)	\$(137 )	\$(18,342 )
Net cash provided by (used in) financing activities	\$114,999	\$40,627	\$227,339	\$(1,399 )	\$11,289
Cash dividends paid per common share	\$0.53	\$0.50	\$0.47	\$—	\$—
Capital Expenditures					
Capital expenditures-acquisitions <sup>(2)</sup>	\$141,570	\$75,793	\$237,527	\$1,743	\$22,524
Capital expenditures-other	\$3,195	\$2,668	\$906	\$444	\$531

Table of ContentsIndex to Consolidated Financial Statements

	For the Year Ended December 31,					
	2016	2015	2014	2013	2012	
Selected Operating Data:						
Timber Sales Volume (tons):						
Pulpwood	1,360,437	1,131,475	885,980	636,227	697,307	
Sawtimber <sup>(3)</sup>	867,055	708,764	479,460	283,223	358,683	
Total	2,227,492	1,840,239	1,365,440	919,450	1,055,990	
Delivered % as of total volume	64	% 60	% 70	% 80	% 81	%
Stumpage % as of total volume	36	% 40	% 30	% 20	% 19	%
Net timber sales price (\$ per ton)						
Pulpwood	\$ 14	\$ 13	\$ 13	\$ 12	\$ 10	
Sawtimber <sup>(3)</sup>	\$ 24	\$ 26	\$ 24	\$ 20	\$ 21	
Timberland Sales						
Gross sales	\$ 12,515	\$ 11,845	\$ 10,650	\$ 2,499	\$ 10,972	
Basis of timberland sold	\$ 9,728	\$ 8,886	\$ 5,072	\$ 1,570	\$ 7,188	
Acres sold	7,286	6,407	3,761	1,167	6,016	
Price per acre	\$ 1,718	\$ 1,849	\$ 2,832	\$ 2,141	\$ 1,824	
Timberland Acquisitions						
Gross acquisitions <sup>(4)</sup>	\$ 141,013	\$ 73,305	\$ 235,158	\$ 1,404	\$ 20,474	
Timberland acquisitions, in acres	81,938	42,905	121,612	1,786	30,199	
Price per acre (\$/acre)	\$ 1,721	\$ 1,709	\$ 1,934	\$ 786	\$ 678	

See "Management's Discussion and Analysis of Financial Condition and Results of Operations —Adjusted EBITDA"

(1) for the definition and information regarding why we present Adjusted EBITDA and for a reconciliation of this non-GAAP financial measure to net income (loss).

(2) Includes transaction costs.

(3) Includes chip-n-saw and sawtimber.

(4) Exclusive of transaction costs.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Selected Financial Data in Item 6 – Selected Financial Data above and our accompanying consolidated financial statements and notes thereto. See also "Cautionary Note Regarding Forward-Looking Statements" preceding Part I.

### Overview

We strive to deliver superior long-term returns for our stockholders through disciplined acquisitions, sustainable harvest, and well-timed sales. Our immediate emphasis is to grow through selective acquisitions in high demand fiber basket markets and to efficiently integrate the new acquisitions. Operationally, we focus on generating cash flows from sustainable harvests and improved harvest mix on prime timberlands as well as opportunistic land sales to provide recurring dividends to our stockholders. We continue to practice intensive forest management and silvicultural techniques that increase the biological growth of the forest.

During 2016, we continued to execute our business growth strategy as we completed six separate transactions in the U.S. South, acquiring approximately 81,900 acres of high-quality timberland. Our 2016 timberland acquisitions added



Table of Contents

Index to Consolidated Financial Statements

approximately 3.7 million tons to our merchantable inventory, comprised of 71% pine plantations by acreage and 46% sawtimber by tons. In aggregate, they are expected to increase our annual harvest volumes by 400,000 to 475,000 tons over the next decade. These acquisitions complement our existing timberland portfolio and continue the expansion of our customer base into new markets within the U.S. South.

On June 15, 2016, we completed our largest timberland transaction (the "Carolinas Midlands III transaction") since our listing on the NYSE, acquiring approximately 51,700 acres in South Carolina for \$101.4 million, including closing costs. The Carolinas Midlands III transaction adds approximately 2.0 million tons to our merchantable inventory, comprised of 70% pine plantations by acreage and 49% sawtimber by tons. The property is expected to add between 250,000 to 300,000 tons (4.8 to 5.8 tons per acre) to our annual harvest over the next decade. The Carolinas Midlands III transaction was funded with proceeds from our 2014 Multi-Draw Term Facility. We also assumed 96 recreational leases which cover approximately 51,600 acres (99.8% of acreage acquired) and provide approximately \$0.5 million in revenue annually.

For more information on our current timberland portfolio, see Item 2 – Properties.

Timber Agreements

A substantial portion of our timber sales is derived from the Mahrt Timber Agreements under which we sell specified amounts of timber to WestRock subject to market pricing adjustments. WestRock purchased approximately 485,000 tons under the Mahrt Timber Agreements, which exceeded the minimum requirement of 441,000 tons. For the years ended December 31, 2016, 2015, and 2014, approximately 17%, 23%, and 34%, respectively, of our net timber sales revenue was derived from the Mahrt Timber Agreements. The percentage of our annual net timber sales revenue derived from WestRock continues to decrease as a result of our recent acquisitions and expansion of our customer base. See Note 6 – Commitments and Contingencies of our accompanying consolidated financial statements for additional information regarding the material terms of the Mahrt Timber Agreements.

In connection with the Carolinas Midlands III transaction, we assumed the Carolinas Supply Agreement which requires us to harvest and sell agreed-upon pulpwood volumes to a third-party mill which they are required to purchase at defined market prices. Through its expiration on November 3, 2026, the Carolinas Supply Agreement is expected to contribute 100,000 to 150,000 tons of the volumes expected to be added by the Carolinas Midlands III transaction. During the year ended December 31, 2016, we sold approximately 88,000 tons under the Carolinas Supply Agreement, while we were required to sell approximately 72,000 tons. For the year ended December 31, 2016, approximately 4% of our net timber sales revenue was derived from the Carolinas Supply Agreement.

2017 Outlook

For full-year 2017, we project a net loss of between \$16 million and \$17 million, primarily from depletion expenses. We anticipate Adjusted EBITDA to register between \$37 million and \$41 million, after adding back \$31 million to \$34 million of depletion expense, \$10 million to \$12 million of land sale book basis, \$3 million of stock-based compensation expense, and \$10 million of interest expense. We expect to monetize 1% to 2% of our fee timberland acreage pursuant to our land sales program, resulting in timberland sales revenue between \$14.0 million and \$16.0 million. Capital expenditures (excluding timberland acquisitions) for 2017 are expected to be between \$4.5 million and \$5.5 million. We will continue our deliberate growth strategy for new acquisitions by targeting:

- markets that demonstrate favorable long-term demand and allow for superior merchandizing to mill customers;
- timberland properties with superior productivity characteristics from soil attributes and forest genetics which can provide durable harvest revenue and sustain long-term growth; and
- properties with trees at the right age classes to complement existing holdings and support sustainable harvest volumes.

We believe that we have access to adequate capital resources to achieve our growth targets for 2017 with the credit facilities available under the 2014 Amended Credit Agreement (see Liquidity and Capital Resources for details).

Table of Contents

Index to Consolidated Financial Statements

General Economic Conditions and Timber Market Factors Impacting Our Business

Our operating results are influenced by a variety of factors, including timber prices; the demand for pulp and paper products, lumber, panel, and other wood-related products; the supply of timber; and competition. Timber prices can experience significant variations and have been historically volatile. The demand for timber and wood products is affected primarily by the level of new residential construction activity, repair and remodeling activity, the supply of manufactured timber products including imports, and, to a lesser extent, other commercial and industrial uses. The demand for timber also is affected by the demand for wood chips in the pulp and paper markets and for hardwood in the furniture and other hardwood industries.

The U.S. economy as well as the housing market continued to show modest improvement in 2016. According to the U.S. Bureau of Economic Analysis, the real gross domestic product increased by 1.6% in 2016, which is down in comparison to the increase of 2.6% in 2015. The U.S. Census Bureau estimated that 1.17 million housing units were started in 2016 as compared to 1.11 million housing units in 2015, up by 4.9%. We continue to believe that housing starts will show modest and gradual improvement, but that in 2017, the surplus log inventory in the market will not allow for significant improvement in our sawtimber pricing. For 2017, we anticipate pulpwood and sawtimber prices to remain steady.

In the markets in which we operate, our net stumpage pricing stayed flat for the year ended 2016 as compared to year ended 2015. Compared to the same periods in 2015, our pulpwood pricing improved while sawtimber pricing was lower. The higher pulpwood pricing was due to increases in demand as a result of significant wet weather in the U.S. South during the first half of 2016. Our pulpwood prices also benefited from our continued expansion into the South Carolina and Coastal Georgia markets, which offered some of the highest pulpwood prices in the U.S. South. Our sawtimber pricing was lower partly due to higher mix of chip-n-saw in our harvest volume for the year ended 2016 as compared to the year ended 2015. Additionally, we opportunistically took advantage of a stronger lumber market during the first half of 2015 and realized better sawtimber prices. The changes we realized in our pulpwood and sawtimber pricing are consistent with the changes reported in South-wide Average pricing by TimberMart-South.

Liquidity and Capital Resources

Overview

Cash flows generated from our operations are primarily used to fund recurring expenditures and distributions to our stockholders. In the second quarter of 2016, we raised our quarterly distribution rate from \$0.125 per share to \$0.135 per share. Collectively, we paid a distribution of \$0.53 per share in 2016, totaling \$20.4 million. During the same period, we generated net cash from operations of \$30.8 million. The amount of distributions to common stockholders is determined by our board of directors and is dependent upon a number of factors, including funds deemed available for distribution based principally on our current and future projected operating cash flows, reduced by capital requirements necessary to maintain our existing timberland portfolio. In determining the amount of distributions to common stockholders, we also consider our financial condition, our expectations of future sources of liquidity, current and future economic conditions, market demand for timber and timberlands, and tax conditions, including the annual distribution requirements necessary to maintain our status as a REIT under the Code.

In determining how to allocate cash resources in the future, we will initially consider the source of the cash. We anticipate using a portion of cash generated from operations, after payments of periodic operating expenses and interest expense, to fund certain capital expenditures that enhance productivity of our timberlands. Any remaining cash generated from operations may be used to partially fund timberland acquisitions and pay distributions to stockholders. Therefore, to the extent that cash flows from operations are lower, timberland acquisitions and

stockholder distributions are anticipated to be lower as well. Capital expenditures, including new timberland acquisitions, are generally funded with cash from operations or existing debt availability; however, proceeds from future debt financings and equity offerings may be used to fund capital expenditures, acquire new timberland properties and pay down existing and future borrowings.

Table of ContentsIndex to Consolidated Financial Statements

## Short-Term Liquidity and Capital Resources

For the year ended December 31, 2016, net cash provided by operating activities was \$30.8 million, a \$2.4 million increase from the year ended December 31, 2015, primarily driven by a \$6.2 million increase in net cash receipts from timber sales as a result of an increase in harvest volume due to recent acquisitions and a \$0.9 million increase in net cash receipts from timberland sales due to an increase in the number of acres sold, offset by an approximately \$3.9 million increase in cash paid for interest and increases in general and administrative expenses, other operating expenses, and forestry management expenses due to the growth of our business.

For the year ended December 31, 2016, cash used to acquire timberlands was \$141.6 million (including transaction costs), a \$65.8 million increase from the year ended December 31 2015, as we acquired 39,000 more acres in 2016 than in 2015. We used \$3.2 million in other capital expenditures during the year ended December 31, 2016, a \$0.5 million increase from the year ended December 31, 2015, primarily due to increased reforestation expenses and mainline road construction as a result of growth in harvest activities.

Net cash provided by financing activities for the year ended December 31, 2016 was \$115.0 million, a \$74.4 million increase from the year ended December 31, 2015. Our borrowings net of repayments and our financing costs paid increased by \$73.7 million and \$1.1 million, respectively, as a result of an increase in timberland acquisitions in 2016. We paid \$0.8 million more in dividends during 2016 as a result of an increase in our quarterly distribution rate as noted above, while we paid \$2.6 million less for share repurchases in 2016 as a result of an increase in the share price of our common stock and, therefore, fewer repurchases through the period.

We believe that we have access to adequate liquidity and capital resources, including cash flow generated from operations, cash on-hand, and borrowing capacity, necessary to meet our current and future obligations that become due over the next twelve months. As of December 31, 2016, we had a cash balance of \$9.1 million and had access to \$174.3 million of additional borrowing availability under the 2014 Amended Credit Facilities (see 2014 Amended Credit Facilities below).

## Long-Term Liquidity and Capital Resources

Over the long-term, we expect our primary sources of capital to include net cash flows from operations, including proceeds from land sales, proceeds from secured or unsecured financings from banks and other lenders, and public offerings of our common stock. Our principal demands for capital include operating expenses, interest expense on any outstanding indebtedness, certain capital expenditures (other than timberland acquisitions), repayment of debt, timberland acquisitions, and stockholder distributions.

In 2014, we filed a universal shelf-registration statement with the SEC (see Shelf Registration below), which provides us with future flexibility to offer a variety of debt and equity securities, from time-to-time, in one or more offerings. Currently, we do not have any immediate plans to utilize the universal shelf registration statement.

## Contractual Obligations and Commitments

As of December 31, 2016, our contractual obligations are as follows:

(in thousands)	Payments Due by Period				
	Total	2017	2018-2019	2020-2021	Thereafter
Contractual Obligations					
Debt obligations <sup>(1)</sup>	\$325,656	\$—	\$ —	\$ 225,656	\$ 100,000
Estimated interest on debt obligations <sup>(1) (2)</sup>	60,168	10,059	20,118	20,118	9,873
Operating lease obligations	3,305	631	1,158	1,053	463



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Other liabilities <sup>(3)</sup>	508	104	184	156	64
Total	\$389,637	\$10,794	\$ 21,460	\$ 246,983	\$ 110,400

34

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Table of ContentsIndex to Consolidated Financial Statements

- Represents respective obligations under the 2014 Amended Credit Agreement as of December 31, 2016. \$100 million of which was outstanding under the 2014 Term Loan Facility and \$226 million of which was outstanding under the 2014 Multi-Draw Term Facility (see 2014 Amended Credit Facilities below).
- (1) million of which was outstanding under the 2014 Term Loan Facility and \$226 million of which was outstanding under the 2014 Multi-Draw Term Facility (see 2014 Amended Credit Facilities below).
  - (2) Amounts include impact of two interest rate swaps. See Note 5 – Interest Rate Swaps of our accompanying consolidated financial statements for additional information.
  - (3) Represents net present value of future payments to satisfy a liability assumed upon a timberland acquisition.

## 2014 Amended Credit Facilities

On December 23, 2014, we entered into a fourth amended and restated credit agreement, which we amended and restated as of May 13, 2016 (as amended, the “2014 Amended Credit Agreement”) with CoBank, AgFirst, Rabobank and certain other financial institutions. The 2014 Amended Credit Agreement provides for borrowing under credit facilities currently consisting of:

- \$35 million revolving credit facility (the “2014 Revolving Credit Facility”),
- \$365 million multi-draw term credit facility (the “2014 Multi-Draw Term Facility”), and
- a \$100 million term loan (the “2014 Term Loan Facility”, and together with the 2014 Revolving Credit Facility and the 2014 Multi-Draw Term Facility, the “2014 Amended Credit Facilities”).

The 2014 Amended Credit Agreement provides that the 2014 Amended Credit Facilities may be increased, upon the agreement of lenders willing to increase their loans, by an additional \$110 million. The table below presents the details of our 2014 Amended Credit Facilities as of December 31, 2016:

(dollars in thousands)

Facility Name	Maturity Date	Interest Rate <sup>(1)</sup>	Unused Commitment Fee		Outstanding Balance	Total Availability	Remaining Availability
2014 Revolving Credit Facility	12/23/2019	LIBOR + 2.25%	0.30	%	\$ —	\$ 35,000	\$ 35,000
2014 Multi-Draw Term Facility	12/23/2021	LIBOR + 2.25%	0.30	%	225,656	365,000	\$ 139,344
2014 Term Loan Facility	12/23/2024	LIBOR + 1.75%	N/A		100,000	100,000	—
Total					\$ 325,656	\$ 500,000	\$ 174,344

- (1) The applicable LIBOR margin on the 2014 Revolving Credit Facility and the 2014 Multi-Draw Term Facility ranges from 1.75% to 2.75%, depending on the LTV ratio.

## Patronage

As a result of entering into the 2014 Amended Credit Agreement, we have become eligible to receive annual patronage refunds from our lenders. The annual patronage refund is dependent on the weighted average debt balance with each participating lender (the "Patronage Banks"), as calculated by CoBank, for the respective fiscal year under the 2014 Term Loan Facility and the 2014 Multi-Draw Term Facility (the "Patronage Loans"), as well as the financial performance of the Patronage Banks.

In March 2016, we received a patronage refund of \$1.2 million on our borrowings under the Patronage Loans that were outstanding during 2015. Of the total amount received, 75% was received in cash and 25% was received in equity in Patronage Banks. The equity component of the patronage refund is redeemable for cash only at the discretion of the Patronage Banks' board of directors and then only if the Patronage Banks' minimum capital standards are met. The Patronage Banks targeted equity threshold for redemption is based on a percentage of the five-year historical average loan balance. As of December 31, 2016, we have \$2.3 million in accrued patronage receivables that are expected to be received from CoBank in March 2017.

Debt Covenants

The 2014 Amended Credit Agreement contains, among others, the following financial covenants:

35

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Table of Contents

Index to Consolidated Financial Statements

• limits the LTV Ratio to 45% at the end of each fiscal quarter and upon the sale or acquisition of any property;  
• requires that we maintain a FCCR of not less than 1.05:1; and  
• requires maintenance of a minimum liquidity balance of no less than \$20.0 million at any time.

We were in compliance with the financial covenants of the 2014 Amended Credit Agreement as of December 31, 2016.

### Shelf Registration

On June 20, 2014, we filed a universal shelf registration statement (the "Shelf Registration") on Form S-3 with the SEC, which was declared effective on July 2, 2014. The Shelf Registration provides us with future flexibility to offer, from time-to-time, of up to \$600 million in an undefined combination of common stock, preferred stock, debt securities, depositary shares, or warrants. The terms of any such future offerings would be established at the time of an offering. As of December 31, 2016, we have approximately \$431.1 million remaining under the Shelf Registration.

### Share Repurchase Program

On August 7, 2015, our board of directors approved a stock repurchase program for up to \$30.0 million of our common stock at management's discretion. The program has no set duration and the board may discontinue or suspend the program at any time. During the year ended December 31, 2016, we repurchased 308,775 shares of our common stock at an average price of \$10.36 per share for a total of approximately \$3.2 million. We may purchase up to an additional \$20.8 million under the program.

All common stock purchases under the stock repurchase program were made in open-market transactions and were funded with cash on-hand. We can borrow up to \$25.0 million under the 2014 Multi-Draw Term Facility to repurchase our common stock. Management believes that opportunistic repurchases of our common stock are a prudent use of capital resources.

### Dividends

On February 14, 2017, our board of directors declared a cash dividend of \$0.135 per share for its Class A common stock for stockholders of record on February 28, 2017, payable on March 16, 2017. The amount of future dividends that we may pay to our common stockholders will be determined by our board of directors (as described in the Overview section above).

### Results of Operations

#### Overview

Our results of operations are materially impacted by the fluctuating nature of timber prices, changes in the levels and mix of our harvest volumes, the level of timberland sales, changes to associated depletion rates, and varying interest expense based on the amount and cost of outstanding borrowings. Timber sales volumes, net timber sales prices, timberland sales, and changes in the levels and composition for each of the years ended December 31, 2016, 2015, and 2014 are shown in the following tables:

Table of ContentsIndex to Consolidated Financial Statements

	Years Ended		Change
	December 31,		
	2016	2015	%
Timber sales volume (tons)			
Pulpwood	1,360,437	1,131,475	20 %
Sawtimber <sup>(1)</sup>	867,055	708,764	22 %
	2,227,492	1,840,239	21 %

## Harvest Mix

Pulpwood	61	% 61	%
Sawtimber <sup>(1)</sup>	39	% 39	%

Net timber sales price (per ton) <sup>(2)</sup>

Pulpwood	\$14	\$13	5 %
Sawtimber <sup>(1)</sup>	\$24	\$26	(7 )%

## Timberland sales

Gross sales (000's)	\$12,515	\$11,845
Sales volumes (acres)	7,286	6,407
Sales price (per acre)	\$1,718	\$1,849

	Years Ended		Change
	December 31,		
	2015	2014	%
Timber sales volume (tons)			
Pulpwood	1,131,475	885,980	28 %
Sawtimber <sup>(1)</sup>	708,764	479,460	48 %
	1,840,239	1,365,440	35 %

## Harvest Mix

Pulpwood	61	% 65	%
Sawtimber <sup>(1)</sup>	39	% 35	%

Net timber sales price (per ton) <sup>(2)</sup>

Pulpwood	\$13	\$13	(1 )%
Sawtimber <sup>(1)</sup>	\$26	\$24	6 %

## Timberland sales

Gross sales (000's)	\$11,845	\$10,650
Sales volumes (acres)	6,407	3,761
Sales price (per acre)	\$1,849	\$2,832

<sup>(1)</sup> Includes chip-n-saw and sawtimber.

Prices per ton are rounded to the nearest dollar and shown on a stumpage basis (i.e., net of contract logging and <sup>(2)</sup> hauling costs) and, as such, the sum of these prices multiplied by the tons sold does not equal timber sales in the accompanying consolidated statements of operations for the years ended December 31, 2016, 2015, and 2014.



Table of ContentsIndex to Consolidated Financial Statements

## Comparison of the year ended December 31, 2016 versus the year ended December 31, 2015

Revenues. Revenues increased to \$81.9 million for the year ended December 31, 2016 from \$69.1 million for the year ended December 31, 2015 primarily due to an increase in timber sales revenue of \$12.2 million, an increase in timberland sales revenue of \$0.7 million, offset by a decrease in other revenues of \$0.1 million. Timber sales revenue increased by 23%, mainly due to an increase in harvest volume as a result of incremental harvest on properties acquired in the past 12 months. During the year ended December 31, 2016, we generated \$9.2 million of timber sales revenue from properties acquired within the last 12 months, predominantly driven by harvest in South Carolina.

Details of timber sales by product for the years ended December 31, 2015 and 2016 are shown in the following table:

(in thousands)	For the Year Ended December 31, 2015	Changes attributable to:		For the Year Ended December 31, 2016
		Price/Volume	Volume	
Timber sales <sup>(1)</sup>				
Pulpwood	\$ 27,860	\$959	\$6,150	\$ 34,969
Sawtimber <sup>(2)</sup>	24,977	(784 )	5,873	30,066
	\$ 52,837	\$ 175	\$ 12,023	\$ 65,035

<sup>(1)</sup> Timber sales are presented on a gross basis.

<sup>(2)</sup> Includes chip-n-saw and sawtimber.

Timberland sales revenue increased due to selling more acres in 2016. Our average sales price per acre on timberland sales was down in 2016 as we retained the harvest rights to approximately 113,000 tons of merchantable timber on the acreage sold, which had a book value of \$2.6 million. Other revenues decreased due to receiving \$0.5 million in easement income during 2015, offset by having more acreage under recreational leases due to the growth of our timberland portfolio.

Operating expenses. Contract logging and hauling costs increased to \$25.9 million for the year ended December 31, 2016 from \$19.9 million for the year ended December 31, 2015 as a result of a 28% increase in delivered sales volume. The delivered sales volume increase was predominantly driven by the implementation of delivered wood sales on properties acquired since our listing in 2013. Delivered sales volume as a percentage of our total harvest volume increased to 64% in 2016 from 60% in 2015.

Depletion expense increased by 7% to \$28.9 million in 2016 from \$27.1 million in 2015, due to a 21% increase in harvest volume offset by lower blended depletion rates. We calculate depletion rates by dividing the beginning merchantable inventory book value, after the write-off of accumulated depletion, by current standing timber inventory volume. Before the impact of any future acquisitions or significant land sales, the merchantable book value is expected to decrease over time due to depletion while the standing timber inventory volume is expected to stay relatively stable due to our sustainable harvest management practice. Therefore, we generally expect our depletion rates of our current portfolio to decrease over time.

Costs of timberland sales increased to \$10.4 million for the year ended December 31, 2016 from \$9.7 million for the year ended December 31, 2015 due to selling more acres. Other operating expenses increased to \$5.0 million for the year ended December 31, 2016 from \$4.3 million for the year ended December 31, 2015, primarily as a result of higher property taxes and other costs associated with having more acres under management. Additionally, we incurred approximately \$0.4 million in casualty losses relating to recently planted seedlings and trees that were lost as a result of the severe drought experienced throughout much of the U.S. South during the second half of 2016.

Forestry management fees increased to \$6.1 million for the year ended December 31, 2016 from \$4.5 million for the year ended December 31, 2015. Of the \$1.6 million increase, \$0.8 million was attributable to increased forestry management fees to our forest managers as a result of the growth of our timberland portfolio and increases in net timber revenue. The remaining \$0.8 million was attributable to higher cash and non-cash compensation costs for our forest management staff due to increases in headcount as well incremental stock-based compensation costs from the



Table of ContentsIndex to Consolidated Financial Statements

implementation of the 2016 LTIP program (See Note 9 – Stock Based Compensation in the accompanying consolidated financial statements).

General and administrative expenses increased to \$9.3 million for the year ended December 31, 2016 from \$7.7 million for the year ended December 31, 2015, primarily due to an increase in non-cash compensation costs as well as expenses related to corporate initiatives.

Interest expense. Interest expense increased to \$6.7 million for the year ended December 31, 2016 from \$3.6 million for the year ended December 31, 2015, primarily due to a higher average debt balance through the period and higher interest rates, offset by an increase in accrued patronage refunds of \$1.1 million. Our interest rates increased in 2016 due to increases in LIBOR rates and a higher applicable LIBOR margin under the 2014 Amended Credit Facilities, See Note 4 – Note Payable and Line of Credit of our accompanying consolidated financial statements for additional information regarding patronage refunds.

Net loss. Our net loss increased to \$11.1 million for the year ended December 31, 2016 from \$8.4 million for the year ended December 31, 2015 due to a \$3.1 million increase in our interest expense offset by a \$0.4 million decrease in our operating loss. Our net loss per share for the years ended December 31, 2016 and 2015 were \$0.29 and \$0.21, respectively. We anticipate future net income or losses to fluctuate with timber prices, harvest volumes and mix, depletion rates, timberland sales, and interest expense based on our level and costs of current and future borrowings.

Comparison of the year ended December 31, 2015 versus the year ended December 31, 2014

Revenues. Revenues increased to \$69.1 million for the year ended December 31, 2015 from \$54.3 million for the year ended December 31, 2014, primarily due to an increase in timber sales revenue of \$12.2 million, an increase in timberland sales revenue of \$1.2 million and an increase of \$1.4 million in other revenues. Timber sales revenue increased by 30%, mainly due to an increase in harvest volume as a result of incremental harvest on new properties.

Details of timber sales by product for the years ended December 31, 2014 and 2015 are shown in the following table:

(in thousands)	For the Year Ended December 31, 2014	Changes attributable to:		For the Year Ended December 31, 2015
		Price/M <sup>3</sup>	Volume	
Timber sales <sup>(1)</sup>				
Pulpwood	\$ 23,800	\$(203)	\$4,263	\$ 27,860
Sawtimber <sup>(2)</sup>	16,835	336	7,806	24,977
	\$ 40,635	\$ 133	\$ 12,069	\$ 52,837

(1) Timber sales are presented on a gross basis.

(2) Includes chip-n-saw and sawtimber.

Timberland sales revenue increased due to selling more acres in 2015. However, our average sales price per acre on timberland sales was down in 2015 as a result of receiving above-average pricing on a large land sale during the fourth quarter of 2014. Other revenues increased due to receiving \$0.5 million in easement income as well as having more acreage under recreational leases due to the growth of our timberland portfolio.

Operating expenses. Contract logging and hauling costs increased to \$19.9 million for the year ended December 31, 2015 from \$17.3 million for the year ended December 31, 2014 as a result of a 16% increase in delivered sales

volume. Delivered sales volume as a percentage of our total harvest volume decreased to 60% in 2015 from 70% in 2014. Depletion expense increased by 83% to \$27.1 million in 2015 from \$14.8 million in 2014, due to a 35% increase in harvest volume and higher blended depletion rates. As a result of changing to the straight-line depletion method in the first quarter of 2015, depletion expense on our long-term fee timber was \$4.5 million higher than it would have been under our previous depletion method.

Table of Contents

Index to Consolidated Financial Statements

Costs of timberland sales increased to \$9.7 million for the year ended December 31, 2015 from \$5.6 million for the year ended December 31, 2014 due to selling more acres. Other operating expenses increased to \$4.3 million for the year ended December 31, 2015 from \$2.9 million for the year ended December 31, 2014, primarily as a result of higher property taxes and other costs associated with having more acres under management.

Forestry management fees increased to \$4.5 million for the year ended December 31, 2015 from \$3.6 million for the year ended December 31, 2014. Forestry management fees are earned based on number of acres under management and timber sales revenue generated. The increase in 2015 was a result of having more acres under management and generating higher timber sales revenue driven by the growth of our timberland portfolio. Land rent expense decreased to \$0.7 million in 2015 from \$0.8 million in 2014 primarily due to expirations of PLM leases.

General and administrative expenses increased to \$7.7 million for the year ended December 31, 2015 from \$6.2 million for the year ended December 31, 2014 due to higher compensation costs and legal fees. Compensation costs increased by \$1.1 million, due to a \$0.4 million increase as a result of new restricted stock issuances under the LTIP and a \$0.7 million increase as a result of an increase in the number of full-time employees due to the growth of our business. Legal costs increased by \$0.3 million primarily due to receiving a net insurance recovery claim of \$0.4 million in 2014 under our director and officer insurance policy for costs and expenses associated with the SEC's investigation into Wells Investment Securities, Inc., the dealer-manager of our two completed non-listed public offerings, and us. In March 2016, the SEC concluded its investigation, and we were not accused of any wrongdoing by the SEC.

Interest income. Interest income decreased by \$0.2 million for year ended December 31, 2015 due to receiving counter-party payment upon termination of our interest rate swap agreement in July 2014.

Interest expense. Interest expense increased to \$3.6 million for the year ended December 31, 2015 from \$2.6 million for the year ended December 31, 2014, primarily due to a higher average debt balance through the period and a higher fixed rate under our current interest rate swap agreement, offset by accrued patronage refunds of \$1.3 million.

Net loss. We incurred a \$8.4 million net loss for the year ended December 31, 2015 as compared to generating net income of \$0.7 million for the year ended December 31, 2014 due to a \$7.9 million decrease in our operating income, a \$0.9 million increase in our interest expense, and a \$0.2 million decrease in interest income. We sustained a net loss for the year ended December 31, 2015 primarily as result of the change in our depletion method (see above) and incurring interest expense of approximately \$3.6 million in connection with borrowings used to finance the purchase of our timberlands. Our net loss per share was to \$0.21 for the year ended December 31, 2015 compared to net income per share of \$0.02 for the year ended December 31, 2014.

#### Adjusted EBITDA

The discussion below is intended to enhance the reader's understanding of our operating performance and ability to satisfy lender requirements. EBITDA is a non-GAAP measure of operating performance. EBITDA is defined by the SEC; however, we have excluded certain other expenses due to their non-cash nature, and we refer to this measure as Adjusted EBITDA. As such, our Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies and should not be viewed as an alternative to net income or cash from operations as measurements of our operating performance. Due to the significant amount of timber assets subject to depletion and the significant amount of financing subject to interest and amortization expense, management considers Adjusted EBITDA to be an important measure of our financial condition. Our credit agreement contains a minimum debt service coverage ratio based, in part, on Adjusted EBITDA since this measure is representative of adjusted income available for interest payments.

For the year ended December 31, 2016, Adjusted EBITDA was \$36.5 million, a \$4.3 million increase from the year ended December 31, 2015, primarily due to a \$6.2 million increase in net timber sales, a \$0.9 million increase in revenue from net timberland sales, offset by a decrease in other revenues and increases in general and administrative expenses, other operating expenses, and forestry management fees.

Table of ContentsIndex to Consolidated Financial Statements

Our reconciliation of net income (loss) to Adjusted EBITDA for the years ended December 31, 2016, 2015, and 2014 follows:

(in thousands)	2016	2015	2014
Net income (loss)	\$(11,070)	\$(8,387)	\$660
Add:			
Depletion	28,897	27,091	14,788
Basis of timberland sold	9,728	8,886	5,072
Amortization <sup>(1)</sup>	1,093	765	836
Stock-based compensation expense	1,724	889	418
Interest expense <sup>(1)</sup>	5,753	2,924	1,897
Basis of casualty loss	361	—	—
Adjusted EBITDA	\$36,486	\$32,168	\$23,671

For the purpose of the above reconciliation, amortization includes amortization of deferred financing costs, <sup>(1)</sup>amortization of intangible lease assets, and amortization of mainline road costs, which are included in either interest expense, land rent expense, or other operating expenses in the accompanying consolidated statements of operations.

## Election as a REIT

We have elected to be taxed as a REIT under the Code, and have operated as such beginning with our taxable year ended December 31, 2009. To qualify to be taxed as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted taxable income, as defined in the Code, to our stockholders, computed without regard to the dividends-paid deduction and by excluding our net capital gain. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify to be taxed as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for that year and for the four years following the year during which qualification is lost, unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT for federal income tax purposes.

## Inflation

Our timber agreements provide that we will sell specified amounts of timber subject to quarterly market pricing adjustments and monthly fuel pricing adjustments, which are intended to protect us from, and mitigate the risk of, the impact of inflation. The price of timber has generally increased with increases in inflation; however, we have not noticed a significant impact from inflation on our revenues, net sales, or income from continuing operations. See Item 1 – Business for additional information regarding the material terms of our timber agreements.

## Application of Critical Accounting Policies

Our accounting policies have been established to conform to GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied or different amounts of assets, liabilities, revenues, and expenses would have been recorded, thus resulting in a different presentation of the financial statements or different amounts reported in the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results

of operations to those of companies in similar businesses.

41

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Table of Contents

Index to Consolidated Financial Statements

A discussion of the accounting policies that management deems critical because they may require complex judgment in their application or otherwise require estimates about matters that are inherently uncertain, is provided below.

Timber Assets

Timber and timberlands, including logging roads, are stated at cost less accumulated depletion for timber harvested and accumulated amortization. We capitalize timber and timberland purchases. Reforestation costs, including all costs associated with stand establishment, such as site preparation, cost of seedlings, fertilization, and herbicide application, are capitalized and tracked as premerchantable timber assets by vintage year. Annually, capitalized reforestation costs for timber that has reached a merchantable age is reclassified into merchantable timber inventory and are depleted as harvested. Timber carrying costs, such as real estate taxes, insect control, wildlife control, leases of timberlands and forestry management personnel salaries and fringe benefits, are expensed as incurred. Costs of major roads are capitalized and amortized over their estimated useful lives. Costs of roads built to access multiple logging sites over numerous years are capitalized and amortized over seven years. Costs of roads built to access a single logging site are expensed as incurred.

Depletion

We recognize depletion expense as timber is harvested using the straight-line method. Depletion rates are established at least annually by dividing the remaining merchantable inventory book value by current merchantable timber inventory volume. We changed the depletion method on our long-term timber from normalized depletion method to the straight-line method effective January 1, 2015. We believe that the straight-line method is preferable as it is based on the actual costs recorded and actual merchantable timber volume as of the date that the depletion rates are determined. The straight-line method is less reliant on subjective and complex estimates of future costs and expected timber growth that were involved in the normalized depletion method.

Evaluating the Recoverability of Timber Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of our timber assets may not be recoverable. When indicators of potential impairment are present that suggest that the carrying amounts of timber assets may not be recoverable, we assess the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. Impairment losses would be recognized for (i) long-lived assets used in our operations when the carrying value of such assets exceeds the undiscounted cash flows estimated to be generated from the future operations of those assets, and (ii) long-lived assets held for sale when the carrying value of such assets exceeds an amount equal to their fair value less selling costs. Estimated fair values are calculated based on the following information in order of preference, dependent upon availability: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of undiscounted cash flows, including estimated salvage value. We intend to use one harvest cycle for the purpose of evaluating the recoverability of timber and timberlands used in our operations. Future cash flow estimates are based on probability-weighted projections for a range of possible outcomes and are discounted at risk-free rates of interest. We consider assets to be held for sale at the point at which a sale contract is executed and the buyer has made a nonrefundable earnest money deposit against the contracted purchase price. We have determined that there has been no impairment of our long-lived assets to date.

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of timberland properties, we allocate the purchase price to tangible assets, consisting of timberland and timber, and identified intangible assets and liabilities, which may include values associated with in-place leases or supply agreements, based in each case on our estimate of their fair values. The values of tangible assets are then allocated to timberland and timber based on our determination of the relative fair value of these assets.





Table of Contents

Index to Consolidated Financial Statements

Revenue Recognition

Revenue from the sale of timber is recognized when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) legal ownership and the risk of loss are transferred to the purchaser, (iii) price and quantity are determinable, and (iv) collectibility is reasonably assured. Our primary sources of revenue are recognized as follows:

(1) For delivered sales contracts, which include amounts sufficient to cover costs of logging and hauling of timber, revenues are recognized upon delivery to the customer.

For pay-as-cut contracts, the purchaser acquires the right to harvest specified timber on a tract, at an agreed-upon (2) price per unit. Payments and contract advances are recognized as revenue as the timber is harvested based on the contracted sale rate per unit.

Revenues from the sale of higher-and-better use timberland and nonstrategic timberlands are recognized when title (3) passes and full payment or a minimum down payment is received and full collectibility is assured. If a down payment of less than the minimum down payment is received at closing, we will record revenue based on the installment method.

For recreational leases, rental income collected in advance is recorded as other liabilities in the accompanying (4) consolidated balance sheets until earned over the term of the respective recreational lease and recognized as other revenue.

In addition to the sources of revenue noted above, we also may enter into lump-sum sale contracts, whereby the purchaser generally pays the purchase price upon execution of the contract. Title to the timber and risk of loss transfers to the buyer at the time the contract is consummated. Revenues are recognized upon receipt of the purchase price. When the contract expires, ownership of the remaining standing timber reverts to us; however, adjustments are not made to the revenues previously recognized.

Related-Party Transactions and Agreements

We previously operated as an externally advised REIT, advised by Wells Timberland Investment Management Organization, or Wells TIMO, a subsidiary of Wells Real Estate Funds (collectively, "Wells"). On October 25, 2013, we terminated our advisory agreement with Wells TIMO, our former advisor, and hired the employees necessary to perform the corporate management functions previously performed by our former advisor. During the year ended December 31, 2014, we were party to two agreements with Wells: (1) a transition services agreement and (2) a sublease agreement. Since June 30, 2014, we have had no contractual relationship with Wells. See Note 12 – Related-Party Transactions and Agreements of our accompanying consolidated financial statements for details of our related-party transactions, agreements, and fees.

Commitments and Contingencies

We are subject to certain commitments and contingencies with regard to certain transactions. Refer to Note 6 – Commitments and Contingencies of our accompanying consolidated financial statements for further explanation.

Examples of such commitments and contingencies include:

- Mahrt Timber Agreements;
- Timberland operating agreements with FRC and AFM;
- Obligations under operating leases; and
- Litigation.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on our financial condition or changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.



## Subsequent Events

See Note 16 – Subsequent Events of our accompanying consolidated financial statements for details of events and transactions occurring after the year ended December 31, 2016.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a result of entering into the 2014 Amended Credit Agreement, we are exposed to interest rate changes. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we have entered into two interest rate swaps, and may enter into other interest rate swaps, caps, or other arrangements in order to mitigate our interest rate risk on a related financial instrument. We do not enter into derivative or interest rate transactions for speculative purposes; however, certain of our derivatives may not qualify for hedge accounting treatment. All of our debt was entered into for other than trading purposes. We manage our ratio of fixed-to-floating-rate debt with the objective of achieving a mix that we believe is appropriate in light of anticipated changes in interest rates. We closely monitor interest rates and will continue to consider the sources and terms of our borrowing facilities to determine whether we have appropriately guarded ourselves against the risk of increasing interest rates in future periods.

As of December 31, 2016, the outstanding balance of the 2014 Amended Credit Agreement was \$326 million, \$100 million of which was outstanding under the 2014 Term Loan Facility and \$226 million of which was outstanding under the 2014 Multi-Draw Term Facility. The 2014 Term Loan Facility matures on December 23, 2024 and bears interest at an adjustable rate based on one-month LIBOR Rate plus a margin of 1.75%, while the 2014 Multi-Draw Term Facility matures on December 23, 2021 and bears interest at an adjustable rate based on one-month LIBOR Rate plus a margin ranging from 1.75% to 2.75%, depending on the LTV Ratio.

On December 24, 2014, in connection with entering into the 2014 Amended Credit Agreement, we entered into an interest rate swap (the "2014 Rabobank Swap") with a notional amount of \$35.0 million, which became effective on December 23, 2014. Under the terms of the 2014 Rabobank Swap, we pay interest at a fixed rate of 2.395% per annum to Rabobank and receive one-month LIBOR-based interest payments from Rabobank between December 23, 2014 and December 23, 2024.

On August 11, 2016, we entered into an interest rate swap (the "2016 Rabobank Swap") with a notional amount of \$45.0 million, which became effective on August 23, 2016. Under the terms of the 2016 Rabobank Swap, we pay interest at a fixed rate of 1.28% per annum to Rabobank and receive one-month LIBOR-based interest payments from Rabobank between August 23, 2014 and December 23, 2024.

As of December 31, 2016 after consideration of the interest rate swaps, \$246 million of our total debt outstanding is subject to an effectively variable interest rate while the remaining \$80 million is subject to an effectively fixed-interest rate. A change in the market interest rate impacts the net financial instrument position of our effectively fixed-rate debt portfolio; however, it has no impact on interest incurred or cash flows.

Details of our effectively variable-rate and effectively fixed-rate debt outstanding as of December 31, 2016, along with the corresponding average interest rates, are listed below:

(dollars in thousands)	Expected Maturity Date					Thereafter	Total
	2017	2018	2019	2020	2021		
Maturing debt:							
Variable-rate debt	\$—	\$—	\$—	\$—	\$225,656	\$20,000	\$245,656
Effectively fixed-rate debt	\$—	\$—	\$—	\$—	\$—	\$80,000	\$80,000
Average interest rate:							
Variable-rate debt	—%	—%	—%	—%	2.99	% 2.51	% 2.95
Effectively fixed-rate debt	—%	—%	—%	—%	—	% 3.52	% 3.52



Table of Contents

Index to Consolidated Financial Statements

As of December 31, 2016, the weighted-average interest rate of our outstanding debt, after consideration of the interest rate swaps, was 3.09%. A 1.0% change in interest rates would result in a change in interest expense of approximately \$2.5 million per year. The amount of effectively variable-rate debt outstanding in the future will be largely dependent upon the level of cash from operations and the rate at which we are able to deploy such proceeds toward repayment of the 2014 Amended Credit Agreement and acquisition of timberland properties.

ITEM 8. FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA

The financial statements and supplementary data filed as part of this report are set forth, beginning on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
FINANCIAL DISCLOSURE

There were no changes in or disagreements with our independent registered public accountants during the years ended December 31, 2016, 2015, or 2014.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this annual report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods in SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as a process designed by, or under the supervision of, the Principal Executive Officer and Principal Financial Officer and effected by our board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and/or members of the board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error, and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. In addition, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes and conditions or that the degree of compliance with policies or

procedures may deteriorate. Accordingly, even internal controls determined to be effective can provide only reasonable assurance

Table of Contents

Index to Consolidated Financial Statements

that the information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and represented within the time periods required.

Our management has assessed the effectiveness of our internal control over financial reporting at December 31, 2016. To make this assessment, we used the criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, our management believes that, as of December 31, 2016, our system of internal control over financial reporting met those criteria, and therefore our management has concluded that we maintained effective internal control over financial reporting as of December 31, 2016.

Deloitte & Touche LLP, an independent registered public accounting firm and the auditor of our consolidated financial statements, has audited the effectiveness of our internal control over financial reporting as of December 31, 2016 and issued an attestation report. The report appears on page F-3 within Item 15 — Exhibits and Financial Schedules of this annual report on Form 10-K.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

For the quarter ended December 31, 2016, all items required to be disclosed under Form 8-K were reported under Form 8-K.

Table of Contents

Index to Consolidated Financial Statements

PART III

We will file a definitive Proxy Statement for our 2017 Annual Meeting of Stockholders (the "2017 Proxy Statement") with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2017 Proxy Statement that specifically address the items required to be set forth herein are incorporated by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

A list of our executive officers is found in the Executive Officers of the Registrant section of Item 1 – Business. The other information required by this Item is incorporated by reference from our 2017 Proxy Statement.

ITEM 11 EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from our 2017 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from our 2017 Proxy Statement.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from our 2017 Proxy Statement.



Table of Contents

Index to Consolidated Financial Statements

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) 1. A list of the financial statements contained herein is set forth on page F-1 hereof.
- (a) 2. All financial statement schedules have been omitted because they are not applicable, not material, or the required information is shown in the consolidated financial statements or the notes thereto.
- (a) 3. The Exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto.
- (b) See (a) 3 above.
- (c) See (a) 2 above.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 3<sup>rd</sup> day of March 2017.

CATCHMARK TIMBER TRUST, INC.  
(Registrant)

Date: March 3, 2017 By: /s/ JERRY BARAG  
Jerry Barag  
President, Chief Executive Officer, and Director

Signature	Title	Date
/S/ JERRY BARAG Jerry Barag	President, Chief Executive Officer, and Director	March 3, 2017
/S/ BRIAN M. DAVIS Brian M. Davis	Senior Vice President, Chief Financial Officer, Treasurer, Assistant Secretary, and Principal Accounting Officer	March 3, 2017
/S/ JOHN F. RASOR John F. Rasor	Chief Operating Officer, Secretary and Director	March 3, 2017
/S/ WILLIS J. POTTS, JR. Willis J. Potts, Jr.	Chairman of the Board	March 3, 2017
/S/ DONALD S. MOSS Donald S. Moss	Independent Director	March 3, 2017
/S/ HENRY G. ZIGTEMA Henry G. Zigtema	Independent Director	March 3, 2017
/S/ DOUGLAS D. RUBENSTEIN Douglas Rubenstein	Independent Director	March 3, 2017
/S/ PAUL S. FISHER Paul S. Fisher	Independent Director	March 3, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F- 2</u>
Consolidated Balance Sheets as of December 31, 2016 and 2015	<u>F- 4</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2016, 2015 and 2014</u>	<u>F- 5</u>
<u>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2016, 2015 and 2014</u>	<u>F- 6</u>
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2016, 2015 and 2014</u>	<u>F- 7</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014</u>	<u>F- 8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F- 9</u>

F- 1

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
CatchMark Timber Trust, Inc.

We have audited the accompanying consolidated balance sheets of CatchMark Timber Trust, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CatchMark Timber Trust, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company elected to change its method of accounting for depletion during the year ended December 31, 2015.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia  
March 3, 2017

F- 2

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
CatchMark Timber Trust, Inc.

We have audited the internal control over financial reporting of CatchMark Timber Trust, Inc. and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated March 3, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia  
March 3, 2017

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(in thousands, except for per-share amounts)

	December 31,	
	2016	2015
Assets:		
Cash and cash equivalents	\$9,108	\$8,025
Accounts receivable	3,882	2,562
Prepaid expenses and other assets	4,815	3,277
Deferred financing costs	313	354
Timber assets (Note 3):		
Timber and timberlands, net	691,687	584,854
Intangible lease assets, less accumulated amortization of \$938 and \$934 as of December 31, 2016 and 2015, respectively	19	23
Total assets	\$709,824	\$599,095
Liabilities:		
Accounts payable and accrued expenses	\$4,393	\$3,307
Other liabilities	3,610	3,703
Note payable and line of credit, less net deferred financing costs (Note 4)	320,751	181,047
Total liabilities	328,754	188,057
Commitments and Contingencies (Note 6)	—	—
Stockholders' Equity:		
Class A common stock, \$0.01 par value; 900,000 and 900,000 shares authorized; 38,797 and 38,975 shares issued and outstanding as of December 31, 2016 and 2015, respectively	388	390
Additional paid-in capital	605,728	607,409
Accumulated deficit and distributions	(226,793 )	(195,341 )
Accumulated other comprehensive income (loss)	1,747	(1,420 )
Total stockholders' equity	381,070	411,038
Total liabilities and stockholders' equity	\$709,824	\$599,095
See accompanying notes.		

Table of ContentsIndex to Consolidated Financial StatementsCATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per-share amounts)

	Years Ended December 31,		
	2016	2015	2014
Revenues:			
Timber sales	\$65,035	\$52,837	\$40,635
Timberland sales	12,515	11,845	10,650
Other revenues	4,305	4,440	3,026
	81,855	69,122	54,311
Expenses:			
Contract logging and hauling costs	25,918	19,911	17,322
Depletion	28,897	27,091	14,788
Cost of timberland sales	10,405	9,747	5,558
Forestry management expenses	6,092	4,495	3,567
General and administrative expenses	9,309	7,667	6,185
Land rent expense	625	736	831
Other operating expenses	5,017	4,295	2,942
	86,263	73,942	51,193
Operating income (loss)	(4,408 )	(4,820 )	3,118
Other income (expense):			
Interest income	44	6	177
Interest expense	(6,706 )	(3,573 )	(2,635 )
	(6,662 )	(3,567 )	(2,458 )
Net income (loss)	\$(11,070)	\$(8,387)	\$660
Weighted-average common shares outstanding —basic and diluted	38,830	39,348	31,568
Per-share information—basic and diluted:			
Net income (loss)	\$(0.29 )	\$(0.21 )	\$0.02

See accompanying notes.

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
 (in thousands)

	Years Ended December 31,		
	2016	2015	2014
Net income (loss)	\$(11,070)	\$(8,387)	\$660
Other comprehensive income (loss):			
Market value adjustment to interest rate swap	3,167	(564 )	(1,125)
Comprehensive loss	\$(7,903 )	\$(8,951)	\$(465)

See accompanying notes.



CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except for per-share amounts)

	Class A		Class B		Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2013	13,900	\$ 139	9,493	\$ 95	\$ 432,117	\$(152,688 )	\$ 269	\$ 279,932
Issuance of common stock pursuant to:								
Listed Public Offerings	15,954	160	—	—	190,062	—	\$ —	190,222
Long-term incentive plan, net of amounts withheld for income taxes	10	—	—	—	381	—	\$ —	381
Conversion to Class A Shares	6,329	63	(6,329)	(63 )	—	—	\$ —	—
Dividends on common stock (\$0.47 per share)	—	—	—	—	—	(15,336 )	\$ —	(15,336 )
Stock issuance cost	—	—	—	—	(10,042 )	—	—	(10,042 )
Net income	—	—	—	—	—	660	—	660
Other comprehensive loss	—	—	—	—	—	—	(1,125 )	(1,125 )
Balance, December 31, 2014	36,193	\$ 362	3,164	\$ 32	\$ 612,518	\$(167,364 )	\$ (856 )	\$ 444,692
Issuance of common stock pursuant to:								
Long-term incentive plan, net of amounts withheld for income taxes	202	2	—	—	889	—	—	891
Conversion to Class A Shares	3,164	32	(3,164)	(32 )	—	—	—	—
Dividends on common stock (\$0.50 per share)	—	—	—	—	—	(19,590 )	—	(19,590 )
Repurchase of common stock	(584 )	(6 )	—	—	(5,998 )	—	—	(6,004 )
Net loss	—	—	—	—	—	(8,387 )	—	(8,387 )
Other comprehensive loss	—	—	—	—	—	—	(564 )	(564 )
Balance, December 31, 2015	38,975	\$ 390	—	\$ —	\$ 607,409	\$(195,341 )	\$ (1,420 )	\$ 411,038
Issuance of common stock pursuant to:								
Long-term incentive plan, net of forfeitures and amounts withheld for income taxes	131	1	—	—	1,524	—	—	1,525
Dividends on common stock (\$0.53 per share)	—	—	—	—	—	(20,382 )	—	(20,382 )
Repurchase of common stock	(309 )	(3 )	—	—	(3,205 )	—	—	(3,208 )
Net loss	—	—	—	—	—	(11,070 )	—	(11,070 )
Other comprehensive income	—	—	—	—	—	—	3,167	3,167
Balance, December 31, 2016	38,797	\$ 388	—	\$ —	\$ 605,728	\$(226,793 )	\$ 1,747	\$ 381,070

See accompanying notes.

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Years Ended December 31,		
	2016	2015	2014
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$(11,070)	\$(8,387)	\$660
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depletion	28,897	27,091	14,788
Basis of timberland sold	9,728	8,886	5,072
Stock-based compensation expense	1,724	889	418
Noncash interest expense	954	648	738
Other amortization	139	117	98
Basis of casualty loss	361	—	—
Changes in assets and liabilities:			
Accounts receivable	(1,201 )	(1,764 )	(204 )
Prepaid expenses and other assets	(224 )	187	619
Accounts payable and accrued expenses	1,141	985	(998 )
Other liabilities	400	(158 )	(1,346 )
Net cash provided by operating activities	30,849	28,494	19,845
<b>Cash Flows from Investing Activities:</b>			
Timberland acquisitions	(141,570)	(75,793)	(237,527)
Capital expenditures (excluding timberland acquisitions)	(3,195 )	(2,668 )	(906 )
Net cash used in investing activities	(144,765)	(78,461)	(238,433)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from notes payable	143,500	67,500	320,750
Repayment of notes payable	(2,846 )	(498 )	(254,910)
Financing costs paid	(1,866 )	(781 )	(3,302 )
Issuance of common stock	—	—	190,222
Dividends paid to common stockholders	(20,382 )	(19,590)	(15,336 )
Repurchase of common stock	(3,407 )	(6,004 )	(43 )
Other offering costs paid	—	—	(10,042 )
Net cash provided by financing activities	114,999	40,627	227,339
Net increase (decrease) in cash and cash equivalents	1,083	(9,340 )	8,751
Cash and cash equivalents, beginning of period	8,025	17,365	8,614
Cash and cash equivalents, end of period	\$9,108	\$8,025	\$17,365

See accompanying notes.

Table of Contents

Index to Consolidated Financial Statements

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016, 2015, AND 2014

1. Organization

CatchMark Timber Trust, Inc. ("CatchMark Timber Trust") (NYSE: CTT), a Maryland corporation, primarily engages in the ownership, management, acquisition, and disposition of timberlands located in the southeastern United States and has elected to be taxed as a REIT for federal income tax purposes. CatchMark Timber Trust incorporated in 2005 and commenced operations in 2007. CatchMark Timber Trust conducts substantially all of its business through CatchMark Timber Operating Partnership, L.P. ("CatchMark Timber OP"), a Delaware limited partnership. CatchMark Timber Trust is the general partner of CatchMark Timber OP, possesses full legal control and authority over its operations, and owns 99.99% of its common partnership units. CatchMark LP Holder, LLC ("CatchMark LP Holder"), a wholly-owned subsidiary of CatchMark Timber Trust formed in 2013, is the sole limited partner of CatchMark Timber OP (see Note 7 – Noncontrolling Interest for more information). In addition, CatchMark Timber TRS, Inc. ("CatchMark TRS") was formed as a wholly owned subsidiary of CatchMark Timber OP. Unless otherwise noted, references herein to CatchMark Timber Trust shall include CatchMark Timber Trust and all of its subsidiaries, including CatchMark Timber OP, and the subsidiaries of CatchMark Timber OP, including CatchMark TRS.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of CatchMark Timber Trust have been prepared in accordance with GAAP and shall include the accounts of any VIE in which CatchMark Timber Trust or its subsidiaries is deemed the primary beneficiary. With respect to entities that are not VIEs, CatchMark Timber Trust's consolidated financial statements shall also include the accounts of any entity in which CatchMark Timber Trust or its subsidiaries owns a controlling financial interest and any limited partnership in which CatchMark Timber Trust or its subsidiaries owns a controlling general partnership interest. In determining whether a controlling interest exists, CatchMark Timber Trust considers, among other factors, the ownership of voting interests, protective rights, and participatory rights of the investors.

CatchMark Timber Trust owns a controlling financial interest in CatchMark Timber OP, CatchMark LP Holder and CatchMark TRS and, accordingly, includes the accounts of these entities in its consolidated financial statements. The financial statements of CatchMark Timber OP, CatchMark LP Holder and CatchMark TRS are prepared using accounting policies consistent with those used by CatchMark Timber Trust. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates.

Fair Value Measurements

CatchMark Timber Trust estimates the fair value of its assets and liabilities where currently required under GAAP consistent with the provisions of the accounting standard for fair value measurements and disclosures. Under this guidance, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While various techniques and assumptions can be used to estimate fair value depending on the nature of the asset or liability, the accounting standard for fair value measurements and disclosures provides the following fair value technique parameters and hierarchy, depending upon availability:



Table of Contents

Index to Consolidated Financial Statements

Level 1 — Assets or liabilities for which the identical term is traded on an active exchange, such as publicly-traded instruments or futures contracts.

Level 2 — Assets and liabilities valued based on observable market data for similar instruments.

Level 3 — Assets or liabilities for which significant valuation assumptions are not readily observable in the market. Such assets or liabilities are valued based on the best available data, some of which may be internally developed. Significant assumptions may include risk premiums that a market participant would require.

#### Cash and Cash Equivalents

CatchMark Timber Trust considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents may include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value and may consist of investments in money market accounts.

#### Accounts Receivable

Accounts receivable are recorded at the original amount earned, net of allowances for doubtful accounts, which approximates fair value. Accounts receivable are deemed past due based on their respective payment terms. Management assesses the realizability of accounts receivable on an ongoing basis and provides for allowances as such balances, or portions thereof, become uncollectible. As of December 31, 2016 and 2015, no allowances have been provided against accounts receivable. As of December 31, 2016 and 2015, CatchMark Timber Trust has recorded \$2.3 million and \$1.3 million of estimated patronage refunds due from CoBank as accounts receivable, respectively (please refer to Note 4 – Note Payable and Line of Credit for further information regarding patronage refunds).

#### Prepaid Expenses and Other Assets

Prepaid expenses and other assets are primarily comprised of prepaid rent, insurance, and operating costs, equipment and furniture, net of accumulated depreciation, and deferred costs associated with pending acquisitions. Prepaid expenses are expensed over the applicable usage period or reclassified to other asset accounts upon being put into service in future periods. Balances without future economic benefit are written off as they are identified.

#### Deferred Financing Costs

Deferred financing costs are comprised of costs incurred in connection with securing financing from third-party lenders and are capitalized and amortized on a straight-line basis (which approximates the effective interest rate method) over the terms of the related financing arrangements. Deferred financing costs relating to the outstanding debt are presented as a direct deduction from the carrying amount of the related debt liability on the accompanying consolidated balance sheets, where costs associated with the line of credit agreement are presented as an asset on the accompanying consolidated balance sheets.

For further information regarding our credit agreements, outstanding balance of debt and associated deferred financing costs, please refer to Note 4 – Note Payable and Line of Credit. CatchMark Timber Trust recognized amortization of deferred financing costs for the years ended December 31, 2016, 2015, and 2014 of approximately \$0.9 million, \$0.6 million, and \$0.7 million, respectively, which is included in interest expense in the accompanying consolidated statements of operations.

#### Timber Assets

Timber and timberlands, including logging roads, are stated at cost less accumulated depletion for timber harvested and accumulated road amortization. CatchMark Timber Trust capitalizes timber and timberland purchases.

Reforestation costs, including all costs associated with stand establishment, such as site preparation, cost of seedlings, fertilization, and herbicide application, are capitalized and tracked as premerchantable timber assets by vintage year.

Annually, capitalized reforestation costs for timber that has reached a merchantable age is reclassified into merchantable

F- 10

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Table of Contents

Index to Consolidated Financial Statements

timber inventory and are depleted as harvested. Timber carrying costs, such as real estate taxes, insect control, wildlife control, leases of timberlands, and forestry management personnel salaries and fringe benefits, are expensed as incurred. Costs of major roads are capitalized and amortized over their estimated useful lives. Costs of roads built to access multiple logging sites over numerous years are capitalized and amortized over seven years. Costs of roads built to access a single logging site are expensed as incurred.

Depletion

CatchMark Timber Trust recognizes depletion expense as timber is harvested using the straight-line method.

Depletion rates are established at least annually by dividing the remaining merchantable inventory book value by current merchantable timber inventory volume. CatchMark Timber Trust changed the depletion method on its long-term timber from normalized depletion method to the straight-line method effective January 1, 2015.

Management believes that the straight-line method is preferable as it is based on the actual costs recorded and actual merchantable timber volume as of the date that the depletion rates are determined. The straight-line method is less reliant on subjective and complex estimates of future costs and expected timber growth that were involved in the normalized depletion method. In accordance with ASC 250, CatchMark Timber Trust determined that the change in depletion method was a change in accounting estimate effected by a change in accounting principle, and accordingly, the straight-line method was applied on a prospective basis.

Evaluating the Recoverability of Timber Assets

CatchMark Timber Trust continually monitors events and changes in circumstances that could indicate that the carrying amounts of the timber assets in which CatchMark Timber Trust has an ownership interest may not be recoverable. When indicators of potential impairment are present that suggest that the carrying amounts of timber assets may not be recoverable, CatchMark Timber Trust assesses the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. Impairment losses would be recognized for (i) long-lived assets used in CatchMark Timber Trust's operations when the carrying value of such assets exceeds the undiscounted cash flows estimated to be generated from the future operations of those assets, and (ii) long-lived assets held for sale when the carrying value of such assets exceeds an amount equal to their fair value less selling costs. Estimated fair values are calculated based on the following information in order of preference, dependent upon availability: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of undiscounted cash flows, including estimated salvage value. CatchMark Timber Trust intends to use one harvest cycle for the purpose of evaluating the recoverability of timber and timberlands used in its operations. Future cash flow estimates are based on discounted probability-weighted projections for a range of possible outcomes. CatchMark Timber Trust considers assets to be held for sale at the point at which a sale contract is executed and the buyer has made a non-refundable earnest money deposit against the contracted purchase price. CatchMark Timber Trust has determined that there has been no impairment of its long-lived assets to date.

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of timberland properties, CatchMark Timber Trust allocates the purchase price to tangible assets, consisting of timberland and timber, and identified intangible assets and liabilities, which may include values associated with in-place leases or supply agreements, based in each case on management's estimate of their fair values. The values of tangible assets are then allocated to timberland and timber based on management's determination of the relative fair value of these assets.

Intangible Lease Assets

In-place ground leases with CatchMark Timber Trust as the lessee have value associated with effective contractual rental rates that are below market rates. Such values are calculated based on the present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place lease and (ii) management's estimate of fair market lease rates for the corresponding in-place lease, measured over a period equal to the remaining terms of the leases. The capitalized below-market in-place





Table of Contents

Index to Consolidated Financial Statements

lease values are recorded as intangible lease assets and are amortized as adjustments to land rent expense over the weighted-average remaining term of the respective leases.

Fair Value of Debt Instruments

CatchMark Timber Trust applied the provisions of the accounting standard for fair value measurements and disclosures in estimations of fair value of its debt instruments based on Level 2 assumptions. The fair value of the outstanding note payable was estimated based on discounted cash flow analysis using the current observable market borrowing rates for similar types of borrowing arrangements as of the measurement date. The discounted cash flow method of assessing fair value results in a general approximation of book value, and such value may never actually be realized.

Common Stock

The par value of CatchMark Timber Trust's issued and outstanding shares of common stock is recorded as common stock. The remaining gross proceeds, net of offering costs, are recorded as additional paid-in capital.

Interest Rate Swaps

CatchMark Timber Trust has entered into two interest rate swaps to mitigate its exposure to changing interest rates on variable rate debt instruments. CatchMark Timber Trust does not enter into derivative or interest rate transactions for speculative purposes; however, certain of its derivatives may not qualify for hedge accounting treatment. The fair values of interest rate swaps are recorded as either prepaid expenses and other assets or other liabilities in the accompanying consolidated balance sheets. Changes in the fair value of the effective portion of interest rate swaps that are designated as hedges are recorded as other comprehensive income (loss), while changes in the fair value of the ineffective portion of hedges, if any, are recognized in current earnings. Changes in the fair value of interest rate swaps that do not qualify for hedge accounting treatment are recorded as gain (loss) on interest rate swap in the consolidated statements of operations. Amounts received or paid under interest rate swaps are recorded as interest expense for contracts that qualify for hedge accounting treatment and as gain (loss) on interest rate swaps for contracts that do not qualify for hedge accounting treatment.

CatchMark Timber Trust applied the provisions of the accounting standard for fair value measurements and disclosures in recording its interest rate swaps at fair value. The fair value of the interest rate swaps, classified under Level 2, was determined using a third-party proprietary model that is based on prevailing market data for contracts with matching durations, current and anticipated LIBOR information, consideration of CatchMark Timber Trust's credit standing, credit risk of counterparties, and reasonable estimates about relevant future market conditions.

Revenue Recognition

Revenue from the sale of timber is recognized when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) legal ownership and the risk of loss are transferred to the purchaser, (iii) price and quantity are determinable, and (iv) collectibility is reasonably assured. CatchMark Timber Trust's primary sources of revenue are recognized as follows:

- (1) For delivered sales contracts, which include amounts sufficient to cover costs of logging and hauling of timber, revenues are recognized upon delivery to the customer.  
For pay-as-cut contracts, the purchaser acquires the right to harvest specified timber on a tract, at an agreed-upon
- (2) price per unit. Payments and contract advances are recognized as revenue as the timber is harvested based on the contracted sale rate per unit.  
Revenues from the sale of HBU and nonstrategic timberlands are recognized when title passes and full payment or
- (3) a minimum down payment is received and full collectibility is assured. If a down payment of less than the minimum down payment is received at closing, CatchMark Timber Trust will record revenue based on the installment method.



Table of Contents

Index to Consolidated Financial Statements

For recreational leases, rental income collected in advance is recorded as other liabilities in the accompanying (4) consolidated balance sheets until earned over the term of the respective recreational lease and recognized as other revenue.

In addition to the sources of revenue noted above, CatchMark Timber Trust also may enter into lump-sum sale contracts, whereby the purchaser generally pays the purchase price upon execution of the contract. Title to the timber and risk of loss transfers to the buyer at the time the contract is consummated. Revenues are recognized upon receipt of the purchase price. When the contract expires, ownership of the remaining standing timber reverts to CatchMark Timber Trust; however, adjustments are not made to the revenues previously recognized.

Stock-based Compensation

CatchMark Timber Trust issues equity-based awards to its independent directors and employees pursuant to its LTIP. Stock-based compensation is measured by the fair value of the respective award on the date of grant or modification. Expenses are recognized over the requisite service period of each award and reported as either forestry management expenses or as general and administrative expenses. See Note 9 – Stock Based Compensation for more information.

Earnings Per Share

Basic earnings (loss) per share available to common stockholders is calculated as net income (loss) available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Net income (loss) available to common stockholders is calculated as net income (loss) less dividends payable to or accumulated to preferred stockholders. Diluted earnings (loss) per share available to common stockholders equals basic earnings per share available to common stockholders, adjusted to reflect the dilution that would occur if all outstanding securities convertible into common shares or contracts to issue common shares were converted or exercised and the related proceeds are then used to repurchase common shares. Basic and diluted earnings (loss) per share were the same for all periods presented. For the year ended December 31, 2016, CatchMark Timber Trust excluded the impact of the RSUs outstanding from the weighted average shares outstanding calculation, as their impact was anti-dilutive. If these securities were not anti-dilutive, weighted average shares outstanding would be 53,000 shares higher than reported.

Income Taxes

CatchMark Timber Trust has elected to be taxed as a REIT under the Code and has operated as such beginning with its taxable year ended December 31, 2009. To qualify to be taxed as a REIT, CatchMark Timber Trust must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its ordinary taxable income to its stockholders. As a REIT, CatchMark Timber Trust generally is not subject to federal income tax on taxable income it distributes to stockholders. If CatchMark Timber Trust fails to qualify as a REIT in any taxable year, it will then be subject to federal and state income taxes on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the IRS grants CatchMark Timber Trust relief under certain statutory provisions.

CatchMark Timber Trust has elected to treat CatchMark TRS as a taxable REIT subsidiary. CatchMark Timber Trust may perform certain non-customary services, including real estate or non-real-estate related services, through CatchMark TRS. Earnings from services performed through CatchMark TRS are subject to federal and state income taxes irrespective of the dividends paid deduction available to REITs for federal income tax purposes. In addition, for CatchMark Timber Trust to continue to qualify to be taxed as a REIT, CatchMark Timber Trust's investment in CatchMark TRS and any other TRSs may not exceed 25% (20% after 2017) of the value of the total assets of CatchMark Timber Trust.

Deferred tax assets and liabilities represent temporary differences between the financial reporting basis and the tax basis of assets and liabilities based on the enacted rates expected to be in effect when the temporary differences reverse. Deferred tax expense or benefit is recognized in the financial statements according to the changes in deferred tax assets or liabilities between years. Valuation allowances are established to reduce deferred tax assets when it becomes more likely than not that such assets, or portions thereof, will not be realized. No provision for federal income taxes has

F- 13

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Table of Contents

Index to Consolidated Financial Statements

been made in the accompanying consolidated financial statements, other than the provision relating to CatchMark TRS, as CatchMark Timber Trust did not generate taxable income for the periods presented. See Note 13 – Income Taxes for more information.

CatchMark Timber Trust is also subject to certain state and local taxes related to the operations of timberland properties in certain locations, which have been provided for in the accompanying consolidated financial statements. CatchMark Timber Trust records interest and penalties related to uncertain tax positions as general and administrative expense in the accompanying consolidated statements of operations.

Operating Segment

CatchMark Timber Trust owns and operates timberland properties in the U.S. South. CatchMark Timber Trust operates in a single reporting segment, and the presentation of CatchMark Timber Trust's financial condition and performance is consistent with the way in which CatchMark Timber Trust's operations are managed.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". Under this guidance, an entity is required to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration for those goods or services. The update requires significant additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09, as amended by ASU 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date (Topic 606)", is effective for years beginning after December 15, 2017, including interim periods, with early adoption permitted for years beginning after December 15, 2016. CatchMark Timber Trust will adopt ASU 2014-09 in our consolidated financial statements on January 1, 2018. CatchMark Timber Trust does not expect the adoption of ASU 2014-09 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees classified as capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CatchMark Timber Trust does not expect the adoption of this amendment will have a material effect on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. CatchMark Timber Trust will adopt ASU 2016-09 in our consolidated financial statements on January 1, 2017. CatchMark Timber Trust does not expect the adoption of this amendment will have a material effect on its consolidated financial statements.

3. Timber Assets

As of December 31, 2016 and 2015, timber and timberlands consisted of the following, respectively:

F- 14

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Table of ContentsIndex to Consolidated Financial Statements

(in thousands)	As of December 31, 2016		
	Gross	Accumulated Depletion or Amortization	Net
Timber	\$324,796	\$ 28,897	\$295,899
Timberlands	395,348	—	395,348
Mainline roads	935	495	440
Timber and timberlands	\$721,079	\$ 29,392	\$691,687

(in thousands)	As of December 31, 2015		
	Gross	Accumulated Depletion or Amortization	Net
Timber	\$281,198	\$ 27,091	\$254,107
Timberlands	330,446	—	330,446
Mainline roads	707	406	301
Timber and timberlands	\$612,351	\$ 27,497	\$584,854

## Timberland Acquisitions

During the years ended December 31, 2016, 2015 and 2014, CatchMark Timber Trust acquired approximately 81,900 acres, 42,900 acres and 121,600 acres of timberland, respectively, for approximately \$141.0 million, \$73.3 million and \$235.2 million, respectively, excluding closing costs. A detailed breakout of acreage acquired by state is listed below:

Acres Acquired In:	2016 <sup>(1)</sup>	2015	2014
Alabama	4,500	—	—
Florida	—	—	2,500
Georgia	13,500	9,900	79,600
Louisiana	—	300	21,000
North Carolina	—	1,600	—
South Carolina	63,900	12,500	—
Tennessee	—	300	—
Texas	—	18,300	18,500
Total	81,900	42,900	121,600

<sup>(1)</sup> Includes 8,300 acres of leasehold interest acquired in Georgia.

## Timberland Sales

During the years ended December 31, 2016, 2015 and 2014, CatchMark Timber Trust sold approximately 7,300 acres, 6,400 acres, and 3,800 acres of timberland, respectively, for approximately \$12.5 million, \$11.8 million, and \$10.7 million, respectively. CatchMark Timber Trust's cost basis in the timberland sold was approximately \$9.7 million, \$8.9 million, and \$5.1 million respectively. A detailed breakout of land sale acreage by state is listed below:

Table of ContentsIndex to Consolidated Financial Statements

Acres Sold In:	2016	2015	2014
Alabama	600	3,000	800
Georgia	6,100	2,200	3,000
Florida	600	—	—
Texas	—	1,200	—
Total	7,300	6,400	3,800

## Current Timberland Portfolio

As of December 31, 2016, CatchMark Timber Trust owned interests in approximately 499,600 acres of timberlands in the U.S. South, approximately 467,500 acres of which were held in fee-simple interests and approximately 32,100 acres were held in leasehold interests. A detailed breakout of land acreage by state is listed below:

Acres by state as of December 31, 2016	Fee	Lease	Total
Alabama	76,700	5,600	82,300
Florida	2,000	—	2,000
Georgia	253,600	26,500	280,100
Louisiana	21,300	—	21,300
North Carolina	1,600	—	1,600
South Carolina	76,400	—	76,400
Tennessee	300	—	300
Texas	35,600	—	35,600
Total:	467,500	32,100	499,600

## 4. Note Payable and Line of Credit

As of December 31, 2016 and 2015, CatchMark Timber Trust's amounts outstanding under the 2014 Amended Credit Facilities consisted of the following:

(dollars in thousands)	Maturity Date	Interest Rate (2)	Current Interest Rate (3)	Outstanding Balance as of	
				December 31, 2016	December 31, 2015
2014 Term Loan Facility	12/23/2024	LIBOR + 1.75%	2.51%	\$100,000	\$100,000
2014 Multi-Draw Term Facility	12/23/2021	LIBOR + 2.25%	2.99%	225,656	85,002
Total Principal Balance				\$325,656	\$185,002
Less: Net Unamortized Deferred Financing Costs (1)				\$(4,905 )	\$(3,955 )
Total				\$320,751	\$181,047

(1) Represents costs incurred for borrowings under the 2014 Term Loan Facility and the 2014 Multi-Draw Term Facility

(2) The applicable LIBOR margin on the 2014 Multi-Draw Term Facility ranges between 1.75% and 2.75%, depending on the LTV ratio.

Represents the weighted average interest rate as of December 31, 2016. The weighted average interest rate

(3) excludes the impact of the interest rate swaps (see Note 5 – Interest Rate Swaps), amortization of deferred financing costs, unused commitment fees, and estimated patronage refunds.



As of December 31, 2016, \$174.3 million remained available under the 2014 Amended Credit Facilities, \$139.3 million from the 2014 Multi-Draw Term Facility and \$35.0 million from the 2014 Revolving Credit Facility.

#### 2014 Amended Credit Agreement

On December 23, 2014, CatchMark Timber Trust entered into an amended and restated credit agreement, which was amended and restated as of May 13, 2016 (as amended, the “2014 Amended Credit Agreement”) with CoBank, AgFirst,

F- 16

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Table of Contents

Index to Consolidated Financial Statements

Rabobank and certain other financial institutions. The 2014 Amended Credit Agreement provides for borrowing under credit facilities currently consisting of:

- \$35.0 million revolving credit facility (the “2014 Revolving Credit Facility”),
- \$365.0 million multi-draw term credit facility (the “2014 Multi-Draw Term Facility”), and
- a \$100.0 million term loan (the “2014 Term Loan Facility”, and together with the 2014 Revolving Credit Facility and the 2014 Multi-Draw Term Facility, the “2014 Amended Credit Facilities”).

The 2014 Amended Credit Facilities may be increased, upon the agreement of lenders willing to increase their loans, by an additional \$110.0 million.

Borrowings under the 2014 Revolving Credit Facility may be used for general working capital, to support letters of credit, to fund cash earnest money deposits, to fund acquisitions in an amount not to exceed \$5.0 million, and other general corporate purposes. The 2014 Revolving Credit Facility will bear interest at an adjustable rate equal to a base rate plus between 0.50% and 1.50% or a LIBOR rate plus between 1.50% and 2.50%, in each case depending on CatchMark Timber Trust's LTV Ratio, and will terminate and all amounts under the facility will be due and payable on December 23, 2019.

The 2014 Multi-Draw Term Facility may be used to finance domestic timber acquisitions and associated expenses, refinance loan amounts under the 2014 Revolving Credit Facility, and purchase up to \$25.0 million in CatchMark Timber Trust common stock. Amounts repaid under the 2014 Multi-Draw Term Facility may be re-borrowed prior to the third anniversary of the closing date. The 2014 Multi-Draw Term Facility is interest only until the maturity date; however, if the CatchMark Timber Trust's LTV Ratio is equal to or in excess of 40%, then principal payments will be required to be made beginning on December 31, 2017 at a per annum rate of 5% of the principal amount outstanding under the 2014 Multi-Draw Term Facility.

The 2014 Term Loan Facility shall be used solely to refinance the balance outstanding under the Multi-Draw Term Facility under the Amended CoBank Loan. The 2014 Term Loan Facility is interest only until the maturity date.

Patronage

In March 2015, CatchMark Timber Trust received a patronage refund on its borrowings under the 2014 Amended Credit Agreement during 2014. The refund was calculated by CoBank as a percentage of CatchMark Timber Trust's weighted average balance outstanding under the 2014 Term Loan Facility and the 2014 Multi-Draw Term Facility (collectively, "patronage loans"). Of the total amount received, 75% was received in cash and 25% was received in equity in patronage banks. CatchMark Timber Trust expects to receive a patronage refund on its eligible patronage loans for 2016 during the first quarter of 2017. For the year ended December 31, 2016 and 2015, CatchMark Timber Trust recorded \$2.3 million and \$1.3 million in patronage refunds as a credit to its interest expense, respectively.

Debt Covenants

The 2014 Amended Credit Agreement contains, among others, the following financial covenants:

- limits the LTV Ratio to 45% at the end of each fiscal quarter and upon the sale or acquisition of any property;
- requires that CatchMark Timber Trust maintains a fixed coverage charge ratio of not less than 1.05:1.00.
- requires maintenance of a minimum liquidity balance of no less than \$20.0 million at any time.

CatchMark Timber Trust was in compliance with the financial covenants of the 2014 Amended Credit Agreement as of December 31, 2016.

CatchMark Timber Trust's obligations under the 2014 Amended Credit Agreement are collateralized by a first priority lien on the timberlands owned by CatchMark Timber Trust's subsidiaries and substantially all of CatchMark Timber Trust's subsidiaries' other assets in which a security interest may lawfully be granted, including, without limitation,

F- 17

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Table of ContentsIndex to Consolidated Financial Statements

accounts, equipment, inventory, intellectual property, bank accounts and investment property. In addition, CatchMark Timber Trust's obligations under the 2014 Amended Credit Agreement are jointly and severally guaranteed by all of CatchMark Timber Trust and its subsidiaries pursuant to the terms of the 2014 Amended Credit Agreement. CatchMark Timber Trust has also agreed to guarantee certain losses caused by certain willful acts of CatchMark Timber Trust or its subsidiaries.

## Interest Paid and Fair Value of Outstanding Debt

CatchMark Timber Trust pays the lenders an unused commitment fee on the unused portion of the 2014 Multi-Draw Term Facility and 2014 Revolving Credit Facility, at an adjustable rate ranging from 0.20% to 0.35%, depending on the LTV Ratio. As of December 31, 2016 and 2015, CatchMark Timber Trust paid the lenders an unused commitment fee of 0.30% and 0.25%, respectively.

During the years ended December 31, 2016, 2015 and 2014, CatchMark Timber Trust made the following cash interest payments on its borrowings:

(in thousands)	2016	2015	2014
Cash paid for interest	\$7,119	\$3,253	\$1,706

Included in the interest payments for the years ended December 31, 2016, 2015 and 2014 were unused commitment fees of \$0.7 million, \$0.4 million and \$0.4 million, respectively. No interest paid was capitalized during the years ended December 31, 2016, 2015 and 2014.

As of December 31, 2016 and 2015, the weighted-average interest rate on these borrowings, after consideration of its interest rate swaps (see Note 5 – Interest Rate Swaps), was 3.09% and 2.65%, respectively. After further consideration of the expected patronage refunds, CatchMark Timber Trust's weighted average interest rate as of December 31, 2016 and 2015 was 2.19% and 1.75%, respectively.

As of December 31, 2016 and 2015, the fair value of CatchMark Timber Trust's outstanding debt approximated its book value. The fair value was estimated based on discounted cash flow analysis using the current market borrowing rates for similar types of borrowing arrangements as of the measurement dates.

## 5. Interest Rate Swaps

CatchMark Timber Trust uses interest rate swaps to mitigate its exposure to changing interest rates on its variable rate debt instruments. On August 11, 2016, CatchMark Timber Trust entered into an interest rate swap agreement with Rabobank on \$45.0 million of the 2014 Term Loan Facility that is subject to a variable interest rate (the "2016 Rabobank Swap"). The 2016 Rabobank Swap qualifies for hedge accounting treatment. CatchMark Timber Trust had two interest rate swaps outstanding as of December 31, 2016 which effectively fixed interest rates on \$80.0 million of its 2014 Term Loan Facility, with terms below:

(dollars in thousands)	Effective Date	Maturity Date	Pay Rate	Receive Rate	Notional Amount
2014 Rabobank Swap	12/23/2014	12/23/2024	2.395%	one-month LIBOR	\$ 35,000
2016 Rabobank Swap	8/23/2016	12/23/2024	1.280%	one-month LIBOR	\$ 45,000
Total					\$ 80,000

Between March 28, 2013 and July 18, 2014, CatchMark Timber Trust used an interest rate swap with Rabobank to hedge its exposure to changing interest rates on \$80.0 million of its variable interest rate term loan (the "2013

Rabobank Swap”), where CatchMark Timber Trust paid interest at a fixed rate of 0.9075% per annum and received one-month LIBOR-based interest payments. On July 18, 2014, CatchMark Timber Trust terminated the 2013 Rabobank Swap

F- 18

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Table of ContentsIndex to Consolidated Financial Statements

and received a counter-party payment of approximately \$0.2 million, which was recorded as interest income in the accompanying consolidated statements of operations.

## Fair Value and Cash Paid for Interest Under Interest Rate Swaps

The following table presents information about CatchMark Timber Trust's interest rate swaps measured at fair value as of December 31, 2016 and 2015:

(in thousands)	Instrument Type	Balance Sheet Classification	Estimated Fair Value as of	
			December 31, 2016	December 31, 2015
	Derivatives designated as hedging instruments:			
	Interest rate swap	Prepaid expenses and other assets	\$2,632	\$—
	Interest rate swap	Other liabilities	\$(885)	\$(1,420)

During the year ended December 31, 2016, CatchMark Timber Trust recognized a change in fair value of its interest rate swaps of approximately \$3.2 million as other comprehensive income. During the year ended December 31, 2016, 2015, and 2014, there was no hedge ineffectiveness on the interest rate swaps required to be recognized in current earnings. During the year ended December 31, 2016, 2015, and 2014, net payments of approximately \$0.8 million, \$0.8 million, \$0.1 million were made under the interest rate swaps by CatchMark Timber Trust and were recorded as interest expense, respectively.

## 6. Commitments and Contingencies

## Mahrt Timber Agreements

In connection with its acquisition of timberlands from WestRock, CatchMark Timber Trust entered into a master stumpage agreement and a fiber supply agreement (collectively, the "Mahrt Timber Agreements") with a wholly owned subsidiary of WestRock. The master stumpage agreement provides that CatchMark Timber Trust will sell specified amounts of timber and make available certain portions of its timberlands to CatchMark TRS for harvesting. The fiber supply agreement provides that WestRock will purchase specified tonnage of timber from CatchMark TRS at specified prices per ton, depending upon the type of timber product. The prices for the timber purchased pursuant to the fiber supply agreement are negotiated every two years but are subject to quarterly market pricing adjustments based on an index published by TimberMart-South, a quarterly trade publication that reports raw forest product prices in 11 southern states. The initial term of the Mahrt Timber Agreements is October 9, 2007 through December 31, 2032, subject to extension and early termination provisions. The Mahrt Timber Agreements ensure a long-term source of supply of wood fiber products for WestRock in order to meet its paperboard and lumber production requirements at specified mills and provide CatchMark Timber Trust with a reliable customer for the wood products from its timberlands. For the years ended December 31, 2016, 2015, and 2014, approximately 17%, 23%, and 34%, respectively, of our net timber sales revenue was derived from the Mahrt Timber Agreements.

WestRock can terminate the Mahrt Timber Agreements prior to the expiration of the initial term if CatchMark Timber Trust replaces FRC as the forest manager without the prior written consent of WestRock, except pursuant to an internalization of the company's forestry management functions. CatchMark Timber Trust can terminate the Mahrt Timber Agreements if WestRock (1) ceases to operate the Mahrt mill for a period that exceeds 12 consecutive months, (2) fails to purchase a specified tonnage of timber for two consecutive years, subject to certain limited exceptions or (3) fails to make payments when due (and fails to cure within 30 days). In addition, either party can terminate the Mahrt Timber Agreements if the other party commits a material breach (and fails to cure within 60 days) or becomes

insolvent.

In addition, the Mahrt Timber Agreements provide for adjustments to both parties' obligations in the event of a force majeure, which is defined to include, among other things, lightning, fires, storms, floods, infestation and other acts of God or nature.

F- 19

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Table of ContentsIndex to Consolidated Financial Statements

## Timberland Operating Agreements

Pursuant to the terms of the timberland operating agreement between CatchMark Timber Trust and FRC (the "FRC Timberland Operating Agreement"), FRC manages and operates approximately 421,100 acres of CatchMark Timber Trust's timberlands and related timber operations, including ensuring delivery of timber to WestRock in compliance with the Mahrt Timber Agreements. In consideration for rendering the services described in the FRC Timberland Operating Agreement, CatchMark Timber Trust pays FRC (i) a monthly management fee based on the actual acreage FRC manages, which is payable monthly in advance, and (ii) an incentive fee based on revenues generated by the timber operations. The incentive fee is payable quarterly in arrears. The FRC Timberland Operating Agreement, as amended, is effective through March 31, 2017, and is automatically extended for one-year periods unless written notice is provided by CatchMark Timber Trust or FRC to the other party at least 120 days prior to the current expiration. The FRC Timberland Operating Agreement may be terminated by either party with mutual consent or by CatchMark Timber Trust with or without cause upon providing 120 days' prior written notice.

Pursuant to the terms of the timberland operating agreement between CatchMark Timber Trust and AFM (the "AFM Timberland Operating Agreement"), AFM manages and operates approximately 78,500 acres of CatchMark Timber Trust's timberlands and related timber operations, including ensuring delivery of timber to customers. In consideration for rendering the services described in the AFM Timberland Operating Agreement, CatchMark Timber Trust pays AFM (i) a monthly management fee based on the actual acreage AFM manages, which is payable monthly in advance, and (ii) an incentive fee based on revenues generated by the timber operations. The incentive fee is payable quarterly in arrears. The AFM Timberland Operating Agreement is effective through November 30, 2017, and is automatically extended for one-year periods unless written notice is provided by CatchMark Timber Trust or AFM to the other party at least 120 days prior to the current expiration. The AFM Timberland Operating Agreement may be terminated by either party with mutual consent or by CatchMark Timber Trust with or without cause upon providing 120 days' prior written notice.

## Obligations under Operating Leases

CatchMark Timber Trust held leasehold interests related to the use of approximately 32,100 acres of timberland as of December 31, 2016. These operating leases have expiration dates ranging from 2019 through 2022. Approximately 28,700 acres of these leased timberlands are leased to CatchMark Timber Trust under one long-term lease that expires in May 2022 (the "LTC Lease"). The LTC Lease calls for four quarterly lease payments totaling \$3.10 per acre plus an annual adjustment payment based on the change in a price index as published by the U.S. Department of Labor's Bureau of Labor Statistics from the LTC Lease's base year of 1956. The all-in, per-lease acre rate, after considering both the quarterly and the annual adjustment payments, was \$19.36 for the lease year ended May 2016, which was used to calculate the following remaining required payments (in thousands) under the terms of the operating leases as of December 31, 2016:

2017	\$631
2018	631
2019	527
2020	527
2021	526
Thereafter	463
	\$3,305

## Litigation

From time to time, CatchMark Timber Trust may be a party to legal proceedings, claims, and administrative proceedings that arise in the ordinary course of its business. Management makes assumptions and estimates



concerning the likelihood and amount of any reasonably possible loss relating to these matters using the latest information available. CatchMark Timber Trust records a liability for litigation if an unfavorable outcome is probable and the amount of loss or range

F- 20

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Table of Contents

Index to Consolidated Financial Statements

of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, CatchMark Timber Trust accrues the best estimate within the range. If no amount within the range is a better estimate than any other amount, CatchMark Timber Trust accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, CatchMark Timber Trust discloses the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated loss is material, CatchMark Timber Trust discloses the nature and estimate of the possible loss of the litigation. CatchMark Timber Trust does not disclose information with respect to litigation where an unfavorable outcome is considered to be remote.

CatchMark Timber Trust is not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on the results of operations or financial condition of CatchMark Timber Trust. CatchMark Timber Trust is not aware of any legal proceedings contemplated by governmental authorities.

7. Noncontrolling Interest

CatchMark Timber Trust is the general partner of CatchMark Timber OP and owns 99.99% of its common partnership units. CatchMark LP Holder is the sole limited partner, holding 200 common units representing approximately 0.01% of the partnership interests. Limited partners holding common units of partnership interests in CatchMark Timber OP have the option to redeem such units after the units have been held for one year. Unless CatchMark Timber Trust exercises its right to purchase common units of CatchMark Timber OP for shares of its common stock, CatchMark Timber OP would redeem such units with cash.

8. Stockholders' Equity

Under CatchMark Timber Trust's charter, it has authority to issue a total of 1 billion shares of capital stock. Of the total shares authorized, 900 million shares are designated as common stock with a par value of \$0.01 per share, 100 million shares are designated as preferred stock.

Class B-3 Common Stock Conversion

On February 18, 2015, the board of directors approved the acceleration of the conversion of all of CatchMark Timber Trust's Class B-3 common stock into Class A common stock from June 12, 2015 to February 27, 2015. Upon completion of this conversion, all outstanding shares of CatchMark Timber Trust's common stock are shares of Class A common stock, eligible to trade on the NYSE.

Share Repurchase Program

On August 7, 2015, the board of directors authorized a stock repurchase program under which CatchMark Timber Trust may repurchase up to \$30.0 million of its outstanding common shares. The program has no set duration and the board may discontinue or suspend it at any time. During the year ended December 31, 2016, CatchMark Timber Trust repurchased 308,775 shares of common stock for approximately \$3.2 million. All common stock purchases through the end of December 2016 under the stock repurchase program were made in open-market transactions. As of December 31, 2016, CatchMark Timber Trust had 38.8 million shares of common stock outstanding and may purchase up to an additional \$20.8 million under the program.

9. Stock-based Compensation

Long-Term Incentive Plans

CatchMark Timber Trust's LTIP allows for the issuance of options, stock appreciation rights, restricted stock, RSUs, and deferred stock units of its common stock to the employees and independent directors. The LTIP provides for issuance of up to 1.5 million shares of stock through October 25, 2023, 0.2 million of which was authorized under the 2005 LTIP originally and 1.3 million of which was authorized when the 2005 LTIP was amended and restated in 2013.

F- 21

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Table of ContentsIndex to Consolidated Financial Statements

## Equity Compensation for Independent Directors

In March 2015 and 2014, each of the independent directors received a number of restricted shares of CatchMark Timber Trust's common stock having a value of \$30,000 on the grant date. The number of restricted shares granted to each independent director was determined by dividing \$30,000 by the closing price of CatchMark Timber Trust's common stock on the grant date. These restricted shares vest over a three-year period, subject to the independent director's continued service on the board on each such date, or on the earlier occurrence of a change in control of CatchMark Timber Trust or the independent director's death, disability or termination with cause.

Effective October 1, 2015, under the Amended and Restated Independent Directors' Compensation Plan (a sub-plan of the LTIP), each of the independent directors receives, on the first business day immediately prior to the date on which CatchMark Timber Trust holds its annual stockholders meeting, a number of shares of CatchMark Timber Trust's common stock having a value of \$50,000 on the grant date. The number of shares granted to each independent director is determined by dividing \$50,000 by the closing price of CatchMark Timber Trust's common stock on the grant date. The shares are fully-vested and non-forfeitable upon the respective grant date.

Additionally, one of the independent directors elected to receive a portion of his compensation in shares of CatchMark Timber Trust's common stock in lieu of cash.

Below is a summary of independent directors' equity compensation for the years ended December 31, 2016, 2015, and 2014:

(dollars in thousands)	2016	2015	2014
Fully-vested shares granted	25,089	2,392	2,084
Weighted-average grant date fair value	\$12.04	\$11.15	\$12.00
Restricted stock granted	—	12,585	10,875
Weighted-average grant date fair value	\$—	\$11.92	\$13.79
Grant date fair value of fully vested stock granted in period	\$302	\$27	\$25
Grant date fair value of restricted stock vested in period	\$146	\$81	\$40
Cash used to repurchase common shares for minimum tax withholdings	\$66	\$—	\$—

A rollforward of CatchMark Timber Trust's unvested, service-based restricted stock award activity to its independent directors for the year ended December 31, 2016 is as follows:

	Number of Underlying Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	20,901	\$ 12.71
Granted	—	\$ —
Vested	(11,290 )	\$ 12.90
Forfeited	—	\$ —
Unvested at December 31, 2016	9,611	\$ 12.48

## Service-based Restricted Stock Grants to Employees

Service-based restricted stock grants to employees vest over a four-year period and the fair value of serviced-based restricted stock grants is determined by the closing price of CatchMark Timber Trust's common stock on the grant date.

F- 22

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Table of ContentsIndex to Consolidated Financial Statements

A summary of service-based restricted stock grants to the employees during the years ended December 31, 2016, 2015, and 2014 is listed below:

(dollars in thousands)	2016	2015	2014
Shares granted	125,123	83,900	—
Weighted-average grant date fair value	\$ 10.51	\$ 11.54	\$—
Grant date fair value of restricted stock vested in period	\$ 422	\$—	\$ 183
Cash used to repurchase common shares for minimum tax withholdings	\$ 133	\$—	\$ 43

A rollforward of CatchMark Timber Trust's unvested, service-based restricted stock awards to employees for the year ended December 31, 2016 is as follows:

	Number of Underlying Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	165,200	\$ 12.52
Granted	125,123	\$ 10.51
Vested	(34,225 )	\$ 12.34
Forfeited	(1,000 )	\$ 11.57
Unvested at December 31, 2016	255,098	\$ 11.56

#### Performance-based Restricted Stock Grants

Performance-based restricted stock grants are awarded to the executive officers and the total number of shares may be earned based on the level of achievements of certain pre-determined performance goals over the performance period. Earned awards are determined by the Compensation Committee after the end of the performance period and vest over a period specific to each performance grant.

On February 18, 2015, CatchMark Timber Trust granted 112,900 shares of performance-based restricted stock awards (the "2015 Performance Awards") to its executives, which represents the maximum number of shares that could be earned by the executive officers based on the relative performance of CatchMark Timber Trust's TSR as compared to a pre-established peer group's TSR and to the Russell 3000 Index over the performance period of January 1, 2015 to December 31, 2017. 50% of the earned award vests on the date it is determined by the Compensation Committee and the remaining 50% vests on the one-year anniversary of the determination date. The fair value of the 2015 Performance Award was calculated using the Monte-Carlo simulation with the following assumptions:

Grant date market price (February 18, 2015)	\$ 11.63
Weighted average fair value per granted share	\$ 7.01

#### Assumptions:

Volatility	38.54 %
Expected term (years)	3.0
Dividend yield	4.30 %
Risk-free interest rate	1.06 %



Table of ContentsIndex to Consolidated Financial Statements

A rollforward of CatchMark Timber Trust's unvested, performance-based restricted stock awards for the year ended December 31, 2016 is as follows:

	Number of Underlying Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	112,900	\$ 7.01
Granted	—	\$ —
Vested	—	\$ —
Forfeited	—	\$ —
Unvested at December 31, 2016	112,900	\$ 7.01

## Restricted Stock Units

On May 5, 2016, CatchMark Timber Trust issued 80,366 RSUs to its executive officers (the "2016 Performance Awards"), with a weighted average grant date per-unit fair value of \$14.28. A RSU gives the holder thereof the right, subject to certain restrictions and risk of forfeiture, to receive shares of common stock of CatchMark Timber Trust in the future. The number of RSUs earned is determined based on CatchMark Timber Trust's TSR as compared to a pre-established peer group's TSR and to the Russell 3000 Index over the performance period of January 1, 2016 to December 31, 2018. 50% of any RSUs awarded vest on the date it is determined by the compensation committee of the board of directors and the remaining 50% vest on the one-year anniversary of the determination date.

The fair value of the 2016 Performance Awards was calculated using a Monte-Carlo simulation with the following assumptions:

Grant date market price (May 5, 2016)	\$ 10.57
Weighted average fair value per granted share	\$ 14.28
Assumptions:	
Volatility	28.54 %
Expected term (years)	3.0
Dividend yield	5.11 %
Risk-free interest rate	0.95 %

## Stock-based Compensation Expense

A summary of CatchMark Timber Trust's stock-based compensation expense is presented below:

(in thousands)	2016	2015	2014
General and administrative expenses	\$1,411	\$718	\$348
Forestry management expenses	313	171	70
Total	\$1,724	\$889	\$418

As of December 31, 2016, approximately \$3.2 million of unrecognized compensation expenses related to non-vested restricted stock and RSUs remained and will be recognized over a weighted-average period of 3.1 years.

## 10. Recreational Leases



CatchMark Timber Trust leases certain access rights to individuals and companies for recreational purposes. These operating leases generally have terms of one year with certain provisions to extend the lease agreements for another one-year term. CatchMark Timber Trust retains substantially all of the risks and benefits of ownership of the timberland

F- 24

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properties leased to tenants. As of December 31, 2016, approximately 481,600 acres, or 96%, of CatchMark Timber Trust's timberland available for hunting and recreational uses had been leased to tenants under operating leases that expire between May and July 2017. Under the terms of the recreational leases, tenants are required to pay the entire rent upon execution of the lease agreement. Such rental receipts are recorded as other liabilities until earned over the terms of the respective recreational leases and recognized as other revenue. As of December 31, 2016 and 2015, approximately \$2.0 million and \$1.6 million, respectively, of such rental receipts are recorded as other liabilities in the accompanying consolidated balance sheets. For the three years ended December 31, 2016, 2015, and 2014, CatchMark Timber Trust recognized other revenues related to recreational leases of approximately \$4.0 million, \$3.5 million, \$2.7 million, respectively.

#### 11. Supplemental Disclosures of Noncash Activities

Outlined below are significant noncash investing and financing transactions for the years ended December 31 2016, 2015, and 2014, respectively:

(in thousands)	2016	2015	2014
Write-off of fully amortized deferred financing costs	\$ —	\$ —	\$459

#### 12. Related-Party Transactions and Agreements

CatchMark Timber Trust previously operated as an externally advised REIT, advised by Wells Timberland Investment Management Organization, or Wells TIMO, a subsidiary of Wells Real Estate Funds (collectively, "Wells"). During the periods ended December 31, 2014, CatchMark Timber Trust was party to two agreements with Wells, as described below. Since June 30, 2014, CatchMark Timber Trust has had no contractual relationship with Wells.

**Transition Services Agreement** – Wells and CatchMark Timber Trust entered into a transition service agreement on October 23, 2013, pursuant to which Wells provided CatchMark Timber Trust with certain consulting, support and transitional services at the direction of CatchMark Timber Trust, in order to facilitate CatchMark Timber Trust's successful transition to self-management. The Transition Services Agreement remained in effect until June 30, 2014

**Sublease Agreement** – Wells and CatchMark Timber OP entered into the sublease agreement on October 25, 2013, pursuant to which CatchMark Timber OP subleased from Wells a portion of the office space used and occupied by Wells. The term of the sublease commenced on October 25, 2013, and terminated on March 31, 2014.

##### Related-Party Costs

Pursuant to the terms of the agreements described above, CatchMark Timber Trust incurred the following related-party costs for the year ended December 31, 2014:

(in thousands)	2014
Consulting fees	\$137
Office rent	18
Total	\$155

#### 13. Income Taxes

CatchMark Timber Trust has elected to be taxed as a REIT, and therefore its operations are generally not subject to U.S. federal and state income taxes. As of January 1, 2009 (the "REIT Commencement Date"), its REIT commencement date, CatchMark Timber Trust had net built-in gains on its timber assets of approximately \$18.3 million. CatchMark Timber Trust elected not to take such net built-in gains into income immediately prior to the REIT Commencement

Table of ContentsIndex to Consolidated Financial Statements

Date, but rather subsequently recognize gain on the disposition of any assets it holds at the REIT Commencement Date, if disposed of within the applicable period beginning on the REIT Commencement Date. With the passage of the Protecting Americans from Tax Hikes Act in 2015, the built-in gain period was permanently reduced to five years. CatchMark Timber Trust has exceeded the five-year built-in gain period since the REIT commencement date and is, therefore, no longer subject to the built-in gain tax.

At December 31, 2016, CatchMark Timber Trust had federal and state net operating loss carryforwards of approximately \$135.8 million and \$111.8 million, respectively. Such net operating loss carryforwards may be utilized, subject to certain limitations, to offset future taxable income. If not utilized, the federal net operating loss carryforwards will begin to expire in 2027, and the state net operating loss carryforwards will begin to expire in 2022.

As of December 31, 2016 and 2015, the tax basis carrying value of CatchMark Timber Trust's total timber assets was approximately \$676.2 million and approximately \$571.9 million, respectively.

CatchMark Timber Trust records deferred income taxes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income tax assets and liabilities are recorded based on the differences between the financial reporting and income tax bases of assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Components of the deferred tax asset as of December 31, 2016 and 2015 were attributable to the operations of CatchMark TRS only and were as follows:

(in thousands)	As of December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforward	\$11,410	\$9,468
Gain on timberland sales	13	4
Other	259	33
Total gross deferred tax asset	11,682	9,505
Valuation allowance	(11,509 )	(9,294 )
Total net deferred tax asset	\$173	\$211
Deferred tax liability:		
Timber depletion	173	211
Total gross deferred tax liability	\$173	\$211
Deferred tax asset, net	\$—	\$—

Income taxes for financial reporting purposes differ from the amount computed by applying the statutory federal rate primarily due to the effect of state income taxes and valuation allowances (net of federal benefit). A reconciliation of the federal statutory income tax rate to CatchMark TRS' effective tax rate for the years ended December 31, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Federal statutory income tax rate	34.00 %	34.00 %	34.00 %
State income taxes, net of federal benefit	—	3.13	3.21
Other temporary differences	1.30	0.27	0.50
Other permanent differences	(0.15 )	(0.01 )	(0.02 )
Valuation allowance	(35.15)	(37.39)	(37.69)
Effective tax rate	— %	— %	— %



Table of ContentsIndex to Consolidated Financial Statements

## 14. Quarterly Results (unaudited)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 2016 and 2015:

(in thousands, except per-share amounts)

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$27,181	\$15,966	\$18,310	\$20,398
Operating income (loss)	\$670	\$(1,245)	\$(1,022)	\$(2,811)
Net loss	\$(587)	\$(2,645)	\$(2,897)	\$(4,941)
Basic and diluted net loss per share available to common stockholders	\$(0.02)	\$(0.07)	\$(0.07)	\$(0.13)

  

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$20,244	\$14,174	\$17,629	\$17,075
Operating loss	\$(14)	\$(1,479)	\$(1,069)	\$(2,258)
Net loss	\$(817)	\$(2,330)	\$(1,944)	\$(3,296)
Basic and diluted net loss per share available to common stockholders	\$(0.02)	\$(0.06)	\$(0.05)	\$(0.08)

## 15. Customer Concentration

For the years ended December 31, 2016, 2015, and 2014, WestRock represented 24%, 31%, and 39% of CatchMark Timber Trust's total revenues. No other customer represented more than 10% of CatchMark Timber Trust's total revenues during these periods.

## 16. Subsequent Event

On February 14, 2017, CatchMark Timber Trust declared a cash dividend of \$0.135 per share for its Class A common stock for stockholders of record on February 28, 2017, payable on March 16, 2017.

Table of Contents

Index to Consolidated Financial Statements

EXHIBIT INDEX

Exhibit Number	Description
3.1	Sixth Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed on August 9, 2013)
3.2	First Articles of Amendment to the Sixth Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-11 (File No. 333-191322) filed on September 23, 2013 (the “Initial S-11 Registration Statement”))
3.3	Articles of Amendment (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on October 25, 2013 (the “October 25 Form 8-K”))
3.4	Articles of Amendment (incorporated by reference to Exhibit 3.2 to the October 25 Form 8-K)
3.5	Articles Supplementary (incorporated by reference to Exhibit 3.3 to the October 25 Form 8-K)
3.6	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.6 to Registration Statement on Form S-8 (File No. 333-191916) filed on October 25, 2013 (the “S-8 Registration Statement”))
10.1+	Amended and Restated 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the S-8 Registration Statement)
10.2+	CatchMark Timber Trust, Inc. Amended and Restated Independent Directors Compensation Plan (Effective January 1, 2014) (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed on February 19, 2014)
10.3+	CatchMark Timber Trust, Inc. Amended and Restated Independent Directors Compensation Plan (as amended and restated on July 30, 2015) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 filed on November 2, 2015)
10.4+	Form of 2013 Performance-Based Restricted Stock Award Certificate under the Amended and Restated CatchMark Timber Trust, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.72 to the Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 13, 2014 (the “2013 Form 10-K”))
10.5+	Form of Service-Based Restricted Stock Award Certificate under the Amended and Restated CatchMark Timber Trust, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.74 to the 2013 Form 10-K)
10.6+	Form of Restricted Stock Unit Award Certificate under the Amended and Restated CatchMark Timber Trust, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.73 to the 2013 Form 10-K)
10.7+	Form of 2015 Performance-Based Restricted Stock Award Certificate under the Amended and Restated CatchMark Timber Trust, Inc. 2005 Long-Term Incentive Plan (filed herewith)

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- 10.8+ Form of Performance-Based Restricted Stock Unit Award Certificate under the Amended and Restated CatchMark Timber Trust, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 8, 2016 (the “2016 Second Quarter 10-Q”))
- 10.9+ Employment Agreement by and between CatchMark Timber Trust, Inc. and Jerry Barag (incorporated by reference to Exhibit 10.9 to the 2013 Third Quarter Form 10-Q)
- 10.10+ Employment Agreement by and between CatchMark Timber Trust, Inc. and John F. Rasor (incorporated by reference to Exhibit 10.10 to the 2013 Third Quarter Form 10-Q)
- 10.11+ Employment Agreement by and between CatchMark Timber Trust, Inc. and Brian M. Davis (incorporated by reference to Exhibit 10.11 to the 2013 Third Quarter Form 10-Q)
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Table of Contents

Index to Consolidated Financial Statements

Exhibit Number	Description
10.12	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.12 to the Initial S-11 Registration Statement)
10.13	Amendment Agreement entered into with respect to the Fourth Amended and Restated Credit Agreement, dated as of May 13, 2016, amount CatchMark Timber Operating Partnership, L.P., as borrower thereunder, the other loan parties thereto from time to time, CoBank, ACB, and the lenders party thereto from time to time (including the Fourth Amended and Restated Credit Agreement, as amended thereby as Schedule A) (incorporated by reference to Exhibit 10.3 to the 2016 Second Quarter 10 Q)**
10.14	Third Amended and Restated Security Agreement, dated as of December 23, 2014, made by CatchMark Timber Operating Partnership, L.P., Timberlands II, LLC, CatchMark Timber TRS, Inc., CatchMark TRS Harvesting Operations, LLC, CatchMark HBU, LLC, CatchMark Texas Timberlands GP, LLC and CatchMark Texas Timberlands, L.P. in favor of CoBank, ACB, as administrative agent for the benefit of itself and each Lender Party (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed December 30, 2014 (the “December 30, 2014 Form 8-K”))
10.15	Third Amended and Restated Security Agreement, dated as of December 23, 2014, made by CatchMark Timber Trust, Inc. in favor of CoBank, ACB, as administrative agent for the benefit of itself and each Lender Party (incorporated by reference to Exhibit 10.3 to the December 30, 2014 Form 8-K)
10.16	Third Amended and Restated Pledge Agreement, dated as of December 23, 2014, made by CatchMark Timber Operating Partnership, L.P., Timberlands II, LLC, CatchMark Timber TRS, Inc., CatchMark TRS Harvesting Operations, LLC, CatchMark HBU, LLC, CatchMark Texas Timberlands GP, LLC and CatchMark Texas Timberlands, L.P. in favor of CoBank, ACB, as administrative agent for the benefit of itself and each Lender Party (incorporated by reference to Exhibit 10.4 to the December 30, 2014 Form 8-K)
10.17*	Joinder Agreement, dated as of November 20, 2015, by and among CatchMark Timber Operating Partnership, L.P., CatchMark Southern Timberlands II, L.P., CatchMark Southern Holdings II GP, LLC, CatchMark South Carolina Timberlands, LLC, the other loan parties to the Fourth Amended and Restated Credit Agreement, as amended, and CoBank, ACB
10.18	Georgia Form of Recognition Agreement (Master Stumpage Agreement) dated as of October 9, 2007 among Timberlands II, LLC, Wells TRS Harvesting Operations, LLC, MeadWestvaco Coated Board, Inc., MeadWestvaco Corporation, CoBank, ACB, as the senior administrative agent, and Wachovia Bank, N.A., as the subordinated administrative agent (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form S-11 (No. 333-129651) filed on December 14, 2007 (“Post-Effective Amendment No. 2”))
10.19	Alabama Form of Recognition Agreement (Master Stumpage Agreement) dated as of October 9, 2007 among Timberlands II, LLC, Wells TRS Harvesting Operations, LLC, MeadWestvaco Coated Board, Inc., MeadWestvaco Corporation, CoBank, ACB, as the senior administrative agent, and Wachovia Bank, N.A., as the subordinated administrative agent (incorporated by reference to Exhibit 10.18 to Post-Effective Amendment No. 2)
10.20	Georgia Form of Recognition Agreement (Fiber Supply Agreement) dated as of October 9, 2007 among Wells TRS Harvesting Operations, LLC, Timberlands II, LLC, MeadWestvaco Coated Board, Inc.,



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MeadWestvaco Corporation, CoBank, ACB, as the senior administrative agent, and Wachovia Bank, N.A., as the subordinated administrative agent (incorporated by reference to Exhibit 10.19 to Post-Effective Amendment No. 2)

10.21 Alabama Form of Recognition Agreement (Fiber Supply Agreement) dated as of October 9, 2007 among Wells TRS Harvesting Operations, LLC, Timberlands II, LLC, MeadWestvaco Coated Board, Inc., MeadWestvaco Corporation, CoBank, ACB, as the senior administrative agent, and Wachovia Bank, N.A., as the subordinated administrative agent (incorporated by reference to Exhibit 10.20 to Post-Effective Amendment No. 2)

10.22 Master Stumpage Agreement dated October 9, 2007 by and among Timberlands II, LLC, Wells TRS Harvesting Operations, LLC, and MeadWestvaco Coated Board, Inc. (incorporated by reference to Exhibit 10.25 to the 2009 Form 10-K)

10.23 Fiber Supply Agreement dated October 9, 2007 by and among Wells TRS Harvesting Operations, LLC, MeadWestvaco Corporation, and MeadWestvaco Coated Board, Inc. (incorporated by reference to Exhibit 10.26 to the 2009 Form 10-K)

10.24 Purchase and Sale Agreement, by and between FIATP SSF Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016 (incorporated by reference to Exhibit 10.1.1 to the 2016 Second Quarter 10-Q)

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Table of Contents

Index to Consolidated Financial Statements

Exhibit Number	Description
10.25	First Amendment to Purchase and Sale Agreement, by and between FIATP SSF Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016, made effective as of April 27, 2016 (incorporated by reference to Exhibit 10.1.2 to the 2016 Second Quarter 10-Q)
10.26	Second Amendment to Purchase and Sale Agreement, by and between FIATP SSF Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016, entered into and made effective as of June 2, 2016 (incorporated by reference to Exhibit 10.1.3 to the 2016 Second Quarter 10-Q)
10.27	Purchase and Sale Agreement, by and between FIATP Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016 (incorporated by reference to Exhibit 10.2.1 to the 2016 Second Quarter 10-Q)
10.28	First Amendment to Purchase and Sale Agreement, by and between FIATP Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016, made effective as of April 27, 2016 (incorporated by reference to Exhibit 10.2.2. to the 2016 Second Quarter 10-Q)
10.29	Second Amendment to Purchase and Sale Agreement, by and between FIATP Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016, entered into and made effective as of June 2, 2016 (incorporated by reference to Exhibit 10.2.3 to the 2016 Second Quarter 10-Q)
21.1*	Subsidiaries of the Company
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of the Principal Executive Officer of the Company, pursuant to Securities Exchange Act Rule 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer of the Company, pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Statement of the Principal Executive Officer and Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment. All material omitted has been filed separately with the SEC in accordance with Rule 24b-2 promulgated under the Exchange Act.

+ Management contract or compensatory plan or arrangement.