

CatchMark Timber Trust, Inc.
Form 10-Q
October 30, 2013

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2013

OR
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission file number 000-53193

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)

6200 The Corners Parkway

Norcross, Georgia 30092

(Address of principal executive offices)

(Zip Code)

(770) 449-7800

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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 during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files)

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

Number of shares outstanding of the registrant's only

class of common stock, as of October 25, 2013: 12,691,390 shares

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of CatchMark Timber Trust, Inc. and subsidiaries (“CatchMark Timber Trust,” “we,” “our,” or “us”) other than historical facts 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”). We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. 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. Such 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 words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that this report is filed with the Securities and Exchange Commission (“SEC”). We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this report, and we do not intend to 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 unknown 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 real estate properties, may be significantly hindered. See Item 1A herein, as well as Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our quarterly reports on Form 10-Q for the periods ended March 31, 2013 and June 30, 2013, for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. The risk factors described herein, in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our quarterly reports on Form 10-Q for the periods ended March 31, 2013 and June 30, 2013, are not the only ones we face but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in the accompanying consolidated balance sheets and related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows reflects all normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements.

The accompanying consolidated financial statements should be read in conjunction with the condensed notes to CatchMark Timber Trust's consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this quarterly report on Form 10-Q and with CatchMark Timber Trust's Annual Report on Form 10-K for the year ended December 31, 2012. CatchMark Timber Trust's results of operations for the three months and nine months ended ended September 30, 2013 are not necessarily indicative of the operating results expected for the full year.

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	\$ 11,179,843	\$ 11,221,092
Restricted cash and cash equivalents	1,287,201	2,050,063
Accounts receivable	594,561	658,355
Prepaid expenses and other assets	1,942,485	1,098,268
Deferred financing costs, less accumulated amortization of \$232,312 and \$58,626 as of September 30, 2013 and December 31, 2012, respectively	1,181,737	1,311,770
Timber assets, at cost (Note 3):		
Timber and timberlands, net	327,981,204	333,805,295
Intangible lease assets, less accumulated amortization of \$926,571 and \$841,686 as of September 30, 2013 and December 31, 2012, respectively	30,514	115,399
Total assets	\$ 344,197,545	\$ 350,260,242
Liabilities:		
Accounts payable and accrued expenses	\$ 3,489,380	\$ 1,689,288
Due to affiliates (Note 9)	310,000	1,326,255
Other liabilities	4,350,728	4,801,387
Note payable and line of credit (Note 4)	132,356,123	132,356,123
Total liabilities	140,506,231	140,173,053
Commitments and Contingencies (Note 6)	—	—
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized:		
Series A preferred stock, \$1,000 liquidation preference; 27,585 shares issued and outstanding as of September 30, 2013 and December 31, 2012	36,682,006	36,476,063
Series B preferred stock, \$1,000 liquidation preference; 9,807 shares issued and outstanding as of September 30, 2013 and December 31, 2012	12,197,142	12,123,992
Class A common stock, \$0.01 par value; 889,500,000 shares authorized; 3,172,454 and 3,180,063 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	31,725	31,801
Class B-1 common stock, \$0.01 par value; 3,500,000 shares authorized; 3,172,454 and 3,180,063 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	31,725	31,801
Class B-2 common stock, \$0.01 par value; 3,500,000 shares authorized; 3,172,453 and 3,180,063 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	31,725	31,801
Class B-3 common stock, \$0.01 par value; 3,500,000 shares authorized; 3,172,453 and 3,180,062 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	31,724	31,800
Additional paid-in capital	300,816,466	301,538,949
Accumulated deficit and distributions	(146,569,699) (139,491,344)

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Accumulated other comprehensive income (loss)	438,500	(687,674)
Total stockholders' equity	203,691,314	210,087,189
Total liabilities and stockholders' equity	\$344,197,545	\$350,260,242
See accompanying notes.		

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CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Timber sales	\$6,427,654	\$7,840,893	\$19,846,750	\$22,125,589
Timberland sales	645,436	420,260	2,498,757	10,972,440
Other revenues	784,156	673,549	2,151,949	2,014,830
	7,857,246	8,934,702	24,497,456	35,112,859
Expenses:				
Contract logging and hauling costs	3,153,943	3,941,977	10,198,051	11,788,361
Depletion	1,941,548	2,670,288	6,234,805	8,144,576
Cost of timberland sales	401,858	282,037	1,745,010	7,849,652
Advisor fees and expense reimbursements	930,000	—	3,311,608	2,393,745
Forestry management fees	567,444	557,396	1,713,306	1,700,475
General and administrative expenses	1,613,956	569,949	3,023,088	1,697,464
Land rent expense	242,301	469,141	810,253	1,482,438
Other operating expenses	585,445	670,061	1,854,919	1,936,419
	9,436,495	9,160,849	28,891,040	36,993,130
Operating loss	(1,579,249)	(226,147)	(4,393,584)	(1,880,271)
Other income (expense):				
Interest income	669	310	2,668	619
Interest expense	(949,323)	(2,274,272)	(2,687,170)	(4,235,665)
Loss on interest rate swap	—	(19,706)	(474)	(122,871)
	(948,654)	(2,293,668)	(2,684,976)	(4,357,917)
Net loss	(2,527,903)	(2,519,815)	(7,078,560)	(6,238,188)
Dividends to preferred stockholder	(93,990)	(93,992)	(279,093)	(280,003)
Net loss available to common stockholders	\$(2,621,893)	\$(2,613,807)	\$(7,357,653)	\$(6,518,191)
Per-share information—basic and diluted:				
Net loss available to common stockholders	\$(0.21)	\$(0.21)	\$(0.58)	\$(0.51)
Weighted-average common shares outstanding —basic and diluted	12,696,755	12,739,390	12,705,791	12,744,956

See accompanying notes.

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2013	2012	2013	2012
Net loss	\$ (2,527,903)	\$ (2,519,815)	\$ (7,078,560)	\$ (6,238,188)
Other comprehensive income (loss):				
Market value adjustment to interest rate swap	(423,280)	—	1,126,174	—
Comprehensive loss	\$ (2,951,183)	\$ (2,519,815)	\$ (5,952,386)	\$ (6,238,188)

See accompanying notes.

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

	Class A Common Stock		Class B Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Income (Loss)	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2012	3,180,063	\$31,801	9,540,188	\$95,402	37,392	\$48,600,055	\$301,538,949	\$(139,491,344)	\$(687,674)	\$301,538,949
Issuance of common stock	300	3	900	9	—	—	36,654	—	—	37,557
Forfeiture of restricted stock award	(202)	(2)	(606)	(6)	—	—	(197)	205	—	(197)
Redemptions of common stock	(7,707)	(77)	(23,122)	(231)	—	—	—	—	—	(23,899)