

CatchMark Timber Trust, Inc.  
Form 10-Q  
November 02, 2015

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

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FORM 10-Q

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(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, 2015

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 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

Atlanta, GA 30328

(Address of principal executive offices)

(Zip Code)

(855) 858-9794

(Registrant's telephone number, including area code)

N/A

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(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 classes of common stock, as of October 28, 2015:

Class A Common Stock 38,975,589 shares

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FORM 10-Q

CATCHMARK TIMBER TRUST, INC.

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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”) 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-Q, 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 in our Annual Report on Form 10-K for the year ended December 31, 2014 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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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, 2014. CatchMark Timber Trust's results of operations for the three months and nine months ended September 30, 2015 are not necessarily indicative of the operating results expected for the full year.

Table of ContentsCATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except for per-share data)

	(Unaudited)	
	September 30, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	\$11,372	\$17,365
Accounts receivable	2,205	798
Prepaid expenses and other assets	3,095	2,781
Deferred financing costs, less accumulated amortization of \$726 and \$267 as of September 30, 2015 and December 31, 2014, respectively	3,904	4,245
Timber assets (Note 3):		
Timber and timberlands, net	545,897	543,101
Intangible lease assets, less accumulated amortization of \$934 and \$931 as of September 30, 2015 and December 31, 2014, respectively	23	26
Total assets	\$566,496	\$568,316
Liabilities:		
Accounts payable and accrued expenses	\$3,727	\$2,359
Other liabilities	4,852	3,265
Note payable and line of credit (Note 4)	138,002	118,000
Total liabilities	146,581	123,624
Commitments and Contingencies (Note 6)	—	—
Stockholders' Equity:		
Class A common stock, \$0.01 par value; 889,500 shares authorized; 39,104 and 36,193 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	391	362
Class B-3 common stock, \$0.01 par value; 3,500 shares authorized; 0 and 3,164 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	—	32
Additional paid-in capital	608,574	612,518
Accumulated deficit and distributions	(187,198	) (167,364 )
Accumulated other comprehensive loss	(1,852	) (856 )
Total stockholders' equity	419,915	444,692
Total liabilities and stockholders' equity	\$566,496	\$568,316
See accompanying notes.		

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CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except for per-share data)

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Timber sales	\$12,633	\$11,392	\$38,399	\$29,662
Timberland sales	3,555	485	10,320	1,575
Other revenues	1,441	776	3,328	2,187
	17,629	12,653	52,047	33,424
Expenses:				
Contract logging and hauling costs	4,874	4,472	14,818	12,426
Depletion	6,710	4,857	19,308	10,390
Cost of timberland sales	3,089	345	8,496	1,186
Forestry management expenses	1,071	857	3,253	2,363
General and administrative expenses	1,684	1,438	5,216	4,214
Land rent expense	158	211	533	616
Other operating expenses	1,112	750	2,985	2,076
	18,698	12,930	54,609	33,271
Operating (loss) income	(1,069 )	(277 )	(2,562 )	153
Other income (expense):				
Interest income	1	175	3	177
Interest expense	(876 )	(662 )	(2,532 )	(1,831 )
	(875 )	(487 )	(2,529 )	(1,654 )
Net loss available to common stockholders	\$(1,944 )	\$(764 )	\$(5,091 )	\$(1,501 )
Weighted-average common shares outstanding - basic and diluted	39,430	36,874	39,470	28,942
Net loss per-share available to common stockholders - basic and diluted	\$(0.05 )	\$(0.02 )	\$(0.13 )	\$(0.05 )

See accompanying notes.



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CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(amounts in thousands)

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2015	2014	2015	2014
Net loss	\$(1,944	) \$(764	) \$(5,091	) \$(1,501
Other comprehensive loss:				
Market value adjustment to interest rate swap	(1,303	) (89	) (996	) (269
Comprehensive loss	\$(3,247	) \$(853	) \$(6,087	) \$(1,770

See accompanying notes.

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CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)  
(amounts in thousands, except for per-share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2014	36,193	\$ 362	3,164	\$ 32	\$ 612,518	\$ (167,364 )	\$ (856 )	\$ 444,692
Common stock issued pursuant to:								
Long-term incentive plan	195	2			639			641
Conversion to Class A Shares	3,164	32	(3,164 )	(32 )				—
Dividends to common stockholders (\$0.375 per share)						(14,743 )		(14,743 )
Repurchase of common shares	(448 )	(5 )			(4,583 )			(4,588 )
Net loss						(5,091 )		(5,091 )
Other comprehensive loss							(996 )	(996 )
Balance, September 30, 2015	39,104	\$ 391	—	\$ —	\$ 608,574	\$ (187,198 )	\$ (1,852 )	\$ 419,915

	Class A Common Stock		Class B Common Stock		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
Common stock issued pursuant to:								
Listed Public Offerings	15,954	159			190,062			190,221
Long-term incentive plan	14	—			291			291
Conversion to Class A Shares	3,164	32	(3,164 )	(32 )				—
Dividends to common stockholders (\$0.345 per share)						(10,415 )		(10,415 )
Stock issuance cost					(10,041 )			(10,041 )
Net loss						(1,501 )		(1,501 )
Other comprehensive loss							(269 )	(269 )
Balance, September 30, 2014	33,032	\$ 330	6,329	\$ 63	\$ 612,429	\$ (164,604 )	\$ —	\$ 448,218

See accompanying notes.



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

	(Unaudited)	
	Nine Months Ended	
	September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net loss	\$(5,091	) \$(1,501
Adjustments to reconcile net loss to net cash provided by operating activities:		)
Depletion	19,308	10,390
Other amortization	88	67
Stock-based compensation expense	642	285
Noncash interest expense	490	587
Basis of timberland sold	7,753	1,043
Changes in assets and liabilities:		
Accounts receivable	(1,407	) (174
Prepaid expenses and other assets	397	830
Accounts payable and accrued expenses	1,015	178
Other liabilities	560	1,019
Net cash provided by operating activities	23,755	12,724
Cash Flows from Investing Activities:		
Timberland acquisitions	(28,541	) (91,326
Capital expenditures (excluding timberland acquisitions)	(1,626	) (691
Net cash used in investing activities	(30,167	) (92,017
Cash Flows from Financing Activities:		
Proceeds from note payable	20,500	86,500
Repayments of note payable	(498	) (138,660
Financing costs paid	(252	) (964
Issuance of common stock	—	190,222
Dividends paid to common stockholders	(14,743	) (10,415
Repurchase of common shares	(4,588	) —
Stock issuance costs	—	(10,041
Net cash provided by financing activities	419	116,642
Net (decrease) increase in cash and cash equivalents	(5,993	) 37,349
Cash and cash equivalents, beginning of period	17,365	8,614
Cash and cash equivalents, end of period	\$11,372	\$45,963

See accompanying notes.

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CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES  
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 (unaudited)

1. Organization

CatchMark Timber Trust Inc. ("CatchMark Timber Trust") 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 real estate investment trust ("REIT") for federal income tax purposes. CatchMark Timber Trust was incorporated in Maryland 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, 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 in 2006. 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.

CatchMark Timber Trust generates recurring income and cash flow from the harvest and sale of timber, as well as from non-timber related revenue sources, such as recreational leases. CatchMark Timber Trust also periodically generates income and cash flow from the sale of timberland properties that have a higher-value use beyond growing timber ("HBU"), such as properties that can be sold for development, conservation, recreational or other rural purposes at prices in excess of traditional timberland values. CatchMark Timber Trust expects to realize additional long-term returns from the potential appreciation in value of its timberlands as well as from the potential biological growth of its standing timber inventory in excess of its timber harvest.

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 accounting principles generally accepted in the United States ("GAAP") and shall include the accounts of any variable interest entity ("VIE") in which the Company 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.

For further information, refer to the audited financial statements and footnotes included in CatchMark Timber Trust's Annual Report on Form 10-K for the year ended December 31, 2014.

Change in Depletion Method

CatchMark Timber Trust recognizes depletion expense as timber is harvested. Prior to January 1, 2015, depletion rates for fee timber held longer than 12 months were determined annually using the normalized depletion method, by dividing

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(a) the sum of (i) net carrying value of merchantable and premerchantable timber, and (ii) projected approved reforestation costs to be capitalized over the remaining harvest cycle; by (b) the estimated merchantable timber volume expected to be harvested over the same period. The projected future harvest volume is derived by running a specialized modeling software based on the specific management regime adopted and a set of scientific formulas. Significant management judgments were involved to develop estimates of future harvest volumes and future reforestation costs.

Effective January 1, 2015, CatchMark Timber Trust changed the depletion method on its long-term fee timber to the straight-line method. The straight-line depletion rates are established at least annually by dividing the book value by current standing timber inventory volume. Management believes the change from the normalized depletion method to the straight-line depletion method is preferable as the straight-line method is based on the actual costs recorded and volumes of timber that are merchantable as of the date that the depletion rates are determined. It is less reliant on subjective and complex estimates as it does not include future costs to be incurred or expected timber growth. Therefore, the straight-line depletion method provides for a more disaggregated tracking of costs and volumes and allocation of costs as the timber is harvested.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 250, CatchMark Timber Trust determined that the change in depletion method is a change in accounting estimate effected by a change in accounting principle, and accordingly, the straight-line method will be applied on a prospective basis.

If CatchMark Timber Trust had continued using the normalized depletion method, depletion expense for the three months and nine months ended September 30, 2015 would have been \$1.0 million and \$3.6 million, or \$0.02 and \$0.09 per share, lower than the depletion expense it recorded using the straight-line depletion method.

## 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:

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.

## Interest Rate Swaps

CatchMark Timber Trust entered into an interest rate swap contract 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



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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 values of interest rate swaps, classified under Level 2, were determined using a third-party proprietary model that is based on prevailing market data for contracts with matching durations, current and anticipated London Interbank Offered Rate ("LIBOR") information, consideration of CatchMark Timber Trust's credit standing, credit risk of counterparties, and reasonable estimates about relevant future market conditions.

The following table presents information about CatchMark Timber Trust's interest rate swap measured at fair value as of September 30, 2015 and December 31, 2014:

Instrument Type	Balance Sheet Classification	Estimated Fair Value as of	
		September 30, 2015	December 31, 2014
(amounts in thousands)			
Derivatives designated as hedging instruments:			
Interest rate swap contract	Other liabilities	\$(1,852	) \$(856

For additional information about CatchMark Timber Trust's interest rate swap see Note 5 – Interest Rate Swap Agreement.

**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. 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.

**Income Taxes**

CatchMark Timber Trust has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (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. CatchMark Timber Trust is 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.

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 may not exceed 25% 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

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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 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.

## Recent Accounting Pronouncements

In February 2015, the FASB issued Accounting Standards Update 2015-02, Consolidation - Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 modifies existing consolidation guidance related to (i) limited partnerships and similar legal entities, (ii) the evaluation of variable interests for fees paid to decision makers or service providers, (iii) the effect of fee arrangements and related parties on the primary beneficiary determination, and (iv) certain investment funds. These changes are expected to limit the number of consolidation models and place more emphasis on risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015. The adoption of ASU 2015-02 will not have an impact on CatchMark Timber Trust's consolidated financial statements or associated disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The update requires deferred financing costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. In August 2015, the FASB issued Accounting Standards Update 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("ASU 2015-15"), which allows for deferred financing costs associated with line of credit agreements, which may not have an outstanding balance, to continue to be presented as an asset. ASU 2015-03 and ASU 2015-15 require retrospective application and represent a change in accounting principle. The updates are effective for fiscal years and interim periods within those years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. CatchMark Timber Trust is currently evaluating the impact of ASU 2015-03 and ASU 2015-15 on its consolidated financial statements and associated disclosures.

## 3. Timber Assets

As of September 30, 2015 and December 31, 2014, timber and timberlands consisted of the following, respectively:

(amounts in thousands)	As of September 30, 2015		
	Gross	Accumulated Depletion or Amortization	Net
Timber	\$257,413	\$19,308	\$238,105
Timberlands	307,489	—	307,489
Mainline roads	687	384	303
Timber and timberlands	\$565,589	\$19,692	\$545,897
	As of December 31, 2014		
(amounts in thousands)	Gross	Accumulated Depletion or Amortization	Net
Timber	\$258,648	\$14,788	\$243,860
Timberlands	298,944	—	298,944

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Mainline roads	614	317	297
Timber and timberlands	\$558,206	\$15,105	\$543,101

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During the nine months ended September 30, 2015 and 2014, CatchMark Timber Trust acquired fee-simple interests in approximately 17,600 and 44,500 acres of timberland for \$27.9 million and \$85.5 million, exclusive of closing costs, respectively. A detailed breakout of acreage acquired by state is listed below:

Acres Acquired In:	Georgia	Louisiana	Texas	Total
2015	9,700	300	7,600	17,600
2014	26,000	—	18,500	44,500

During the nine months ended September 30, 2015 and 2014, CatchMark Timber Trust sold approximately 5,600 and 800 acres of timberland, respectively, for \$10.3 million and \$1.6 million, respectively. CatchMark Timber Trust's cost basis in the timberland sold was \$7.8 million and \$1.0 million, respectively. A detailed breakout of land sale acreage by state is listed below:

Acres Sold In:	Alabama	Georgia	Texas	Total
2015	2,200	2,200	1,200	5,600
2014	700	100	—	800

As of September 30, 2015, CatchMark Timber Trust owned interests in approximately 404,500 acres of timberlands in Alabama, Florida, Georgia, Louisiana, and Texas, 376,700 acres of which were held in fee-simple interests and 27,800 acres were held in leasehold interests. A detailed breakout of land acreage by state is listed below:

Acres by state as of September 30, 2015	Fee	Lease	Total
Alabama	73,600	7,900	81,500
Florida	2,500	—	2,500
Georgia	254,400	19,900	274,300
Louisiana	21,300	—	21,300
Texas	24,900	—	24,900
Total:	376,700	27,800	404,500

#### 4. Note Payable and Line of Credit

##### 2014 Amended Credit Agreement

On December 23, 2014, CatchMark Timber Trust, through CatchMark Timber OP, entered into a fourth amended and restated credit agreement (the "2014 Amended Credit Agreement") with CoBank, ACB ("CoBank"), Agfirst Farm Credit Bank ("AgFirst"), Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A. ("Rabobank"), and certain other financial institutions. The 2014 Amended Credit Agreement amended and restated the existing credit facility in its entirety.

The 2014 Amended Credit Agreement provides for borrowing under credit facilities consisting of:

- a \$35.0 million revolving credit facility (the "2014 Revolving Credit Facility"),
- a \$275.0 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 Agreement provides that the 2014 Amended Credit Facilities may be increased, upon the agreement of lenders willing to increase their loans, by up to \$200.0 million.



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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 one-month LIBOR rate plus between 1.50% and 2.50% (the "LIBOR rate"), in each case depending on CatchMark Timber Trust's loan-to-collateral-value ratio (the "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 drawn upon up to eight times during the period beginning on December 23, 2014 through December 23, 2017 (the "2014 Multi-Draw Commitment Period") and 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 will bear interest at an adjustable rate equal to a base rate plus between 0.75% and 1.75% or a LIBOR rate plus between 1.75% and 2.75%, in each case depending on the LTV Ratio, and will terminate, and all amounts under the facility will be due and payable, on December 23, 2021. The 2014 Multi-Draw Term Facility is interest only until the maturity date; however, if the LTV Ratio is equal to or in excess of 40% after the 2014 Multi-Draw Commitment Period, 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 was used solely to refinance the balance outstanding under the existing credit facilities. The 2014 Term Loan Facility bears interest at an adjustable rate equal to a base rate plus 1.75% or a LIBOR rate plus 1.75%, and will terminate, and all amounts under the facility will be due and payable, on December 23, 2024.

As a result of entering into the 2014 Amended Credit Agreement, CatchMark Timber Trust has become eligible to receive annual patronage refunds from its lenders (the "patronage banks"), a profit-sharing program made available to borrowers of the Farm Credit System lenders.

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 and approximated 0.91% 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 for 2015 and accrues for the expected refunds by multiplying the weighted average outstanding balance by 0.90%. For the three months and nine months ended September 30, 2015, CatchMark Timber Trust recorded \$0.3 million and \$0.9 million, respectively, in patronage refunds as a credit to its interest expense, respectively.

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 September 30, 2015 and December 31, 2014, CatchMark Timber Trust's amounts outstanding under the 2014 Amended Credit Facilities consisted of the following:

(amounts in millions)	Maturity Date	As of	
		September 30, 2015	December 31, 2014
2014 Term Loan Facility	December 23, 2024	\$ 100.0	\$ 100.0
2014 Multi-Draw Term Facility	December 23, 2021	38.0	18.0
Total		\$ 138.0	\$ 118.0

## Debt Covenants

The 2014 Amended Credit Agreement permits CatchMark Timber Trust to declare and pay dividends, distributions, and other payments to its stockholders as required to maintain its REIT qualification so long as certain events of default

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have not occurred or would result therefrom. Additionally, the 2014 Amended Credit Agreement subjects CatchMark Timber Trust to mandatory prepayment from proceeds generated from dispositions of timberlands. However, provided that no event of default has occurred, the mandatory prepayment excludes (1) 1.5% of the aggregate cost basis of CatchMark Timber Trust's timberland if its LTV Ratio is between 30% and 40% and up to 2.0% of the aggregate cost basis if its LTV Ratio does not exceed 30%; and (2) lease termination proceeds of less than \$2.0 million in a single termination until aggregate lease termination proceeds during the term of the facility exceeds \$5.0 million.

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; and  
• requires a fixed coverage charge ratio of not less than 1.05:1.00.

CatchMark Timber Trust was in compliance with the financial covenants of the 2014 Amended Credit Agreement as of September 30, 2015.

CatchMark Timber OP'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 OP's and each of its subsidiaries' other assets in which a security interest may lawfully be granted, including, without limitation, accounts, equipment, inventory, intellectual property, bank accounts and investment property. In addition, CatchMark Timber OP'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 OP or its subsidiaries.

### Interest Paid and Fair Value of Outstanding Debt

During the three months ended September 30, 2015 and 2014, CatchMark Timber Trust made interest payments of \$0.8 million and \$0.3 million, respectively, on its borrowings. Included in the interest payments for the three months ended September 30, 2015 and 2014 were unused commitment fees of \$0.1 million and \$0.1 million, respectively.

During the nine months ended September 30, 2015 and 2014, CatchMark Timber Trust made interest payments of \$2.3 million and \$1.1 million, respectively, on its borrowings. Included in the interest payments for the nine months ended September 30, 2015 and 2014 were unused commitment fees of \$0.3 million and \$0.3 million, respectively.

As of September 30, 2015 and December 31, 2014, the weighted-average interest rate on these borrowings, after consideration of an interest rate swap (see Note 5 – Interest Rate Swap Agreement), was 2.50% and 2.58%, respectively. As of September 30, 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 Swap Agreement

During the nine months ended September 30, 2015, CatchMark Timber Trust used one interest rate swap agreement with Rabobank with a notional amount of \$35.0 million to hedge its exposure to changing interest rates on its variable rate debt (the "2014 Rabobank Swap"). The 2014 Rabobank Swap became effective on December 23, 2014 and matures on December 23, 2024. Under the terms of the 2014 Rabobank Swap, CatchMark Timber Trust pays interest at a fixed rate of 2.395% per annum to Rabobank and receives one-month LIBOR-based interest payments from Rabobank. The 2014 Rabobank Swap qualifies for hedge accounting treatment.

During the nine months ended September 30, 2015, CatchMark Timber Trust recognized a change in fair value of the 2014 Rabobank Swap of approximately \$1.0 million as other comprehensive loss. There was no hedge ineffectiveness

on the 2014 Rabobank Swap required to be recognized in current earnings. Net payments of approximately \$0.6 million

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made under the 2014 Rabobank Swap by CatchMark Timber Trust during the nine months ended September 30, 2015 were recorded as interest expense.

### 6. Commitments and Contingencies

#### Mahrt Timber Agreements

CatchMark Timber Trust is party to a fiber supply agreement and a master stumpage agreement (collectively, the “Mahrt Timber Agreements”) with a wholly owned subsidiary of WestRock Company (“WestRock”), formerly known as MeadWestvaco Corporation (“MeadWestvaco”). 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. The fiber supply agreement is subject to quarterly market pricing adjustments based on an index published by Timber Mart-South, a quarterly trade publication that reports raw forest product prices in 11 southern states. 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 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.

#### FRC Timberland Operating Agreement

CatchMark Timber Trust is party to certain timberland operating agreements with Forest Resource Consultants, Inc. (“FRC”). Pursuant to the terms of the timberland operating agreements, FRC manages and operates all of CatchMark Timber Trust's timberlands and related timber operations in Alabama, Georgia, Florida, Louisiana, and Texas, and ensures compliance with the timber supply agreements. In consideration for rendering the services described in the timberland operating agreements, 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 timber harvest revenues generated by the timberlands, which is payable quarterly in arrears. The timberland operating agreements, as amended, are effective through March 31, 2017, with the option to extend for one-year periods and 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.

#### 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 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, financial condition, or cash flows of CatchMark Timber Trust. CatchMark Timber Trust is not aware of any such legal proceedings contemplated by governmental authorities.

7. Stockholders' Equity

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## 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 three months ended September 30, 2015, CatchMark Timber Trust repurchased 447,952 shares of common stock for \$4.6 million. All common stock purchases through the end of September 2015 under the stock repurchase program were made in open-market transactions. As of September 30, 2015, CatchMark Timber Trust had 39.1 million shares of common stock outstanding and may purchase up to an additional \$25.4 million under the program.

## Stock-based Compensation

CatchMark Timber Trust grants restricted stock to its employees and independent directors pursuant to its long-term incentive plan (the "LTIP"). The awards are granted by the compensation committee of the board of directors of CatchMark Timber Trust (the "Compensation Committee"). Service-based restricted stock grants typically vest ratably over a multi-year period. Performance-based restricted stock grants are awarded to the executive officers and the restricted shares may be earned based on the level of achievement of certain pre-determined performance goals over the performance period. Maximum number of shares that could be earned are awarded on the grant date. 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.

During the nine months ended September 30, 2015, CatchMark Timber Trust granted the following restricted shares of its Class A common stock:

	Employees	Independent Directors	Total
Service-based restricted stock <sup>(1)</sup> <sup>(2)</sup>	77,900	12,585	90,485
Performance-based restricted stock <sup>(3)</sup>	112,900	—	112,900
Total	190,800	12,585	203,385

<sup>(1)</sup> The service-based restricted stock issued to employees vests over four years.

<sup>(2)</sup> The service-based restricted stock issued to independent directors vests over three years.

<sup>(3)</sup> The performance-based restricted stock awards (the "2015 Performance Awards") represent the maximum number of shares that could be earned by the executive officers based on the relative performance of CatchMark Timber Trust's total shareholder return (the "TSR") as compared to a pre-established peer group's TSR and to the Russell 3000 Index. 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.

A rollforward of CatchMark Timber Trust's unvested restricted stock award activity for the nine months ended September 30, 2015 is as follows:

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	Employees		Independent Directors	
	Number of Underlying Shares	Weighted Average Grant Date Fair Value	Number of Underlying Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2014	91,500	\$13.54	13,608	\$14.42
Granted	190,800	8.89	12,585	11.92
Vested	—	—	(4,625	) 15.47
Forfeited	(10,200	) 13.51	—	—
Unvested at September 30, 2015	272,100	\$10.28	21,568	\$12.73

The fair value of serviced-based restricted stock grants is determined by the close price of CatchMark Timber Trust's common stock on the grant 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	
Risk-free interest rate	1.06	%

During the three months ended September 30, 2015 and 2014, CatchMark Timber Trust recognized approximately \$0.2 million and \$0.1 million, respectively, of stock-based compensation expense. During the nine months ended September 30, 2015 and 2014, CatchMark Timber Trust recognized approximately \$0.6 million and \$0.3 million, respectively, of stock-based compensation expense. As of September 30, 2015, approximately \$2.3 million of unrecognized compensation expenses related to non-vested restricted stock remained and will be recognized over a weighted-average period of 3.3 years.

## 8. Related-Party Transactions and Agreements

Prior to becoming a self-managed company, CatchMark Timber Trust was externally managed by Wells Timberland Management Organization, LLC. ("Wells TIMO"), which was a wholly owned subsidiary of Wells Real Estate Funds, Inc. ("Wells REF"). On September 18, 2013, CatchMark Timber Trust entered into the Master Self-Management Transition Agreement (the "Master Agreement") with Wells REF and Wells TIMO (collectively "Wells"), which set forth the framework for CatchMark Timber Trust's separation from Wells and its transition to self-management.

Pursuant to the Master Agreement, CatchMark Timber Trust and Wells entered into a Transition Services Agreement (the "TSA") on October 25, 2013, pursuant to which Wells provided certain consulting, support, and transitional services to CatchMark Timber Trust at the direction of CatchMark Timber Trust in order to facilitate CatchMark Timber Trust's successful transition to self-management. In exchange for the services provided by Wells under the TSA, CatchMark Timber Trust paid Wells a monthly consulting fee of \$22,875 (the "Consulting Fee"). The TSA remained in effect until June 30, 2014.

Also pursuant to the Master Agreement, CatchMark Timber Trust and Wells entered into a Sublease Agreement (the "Sublease") on October 25, 2013, pursuant to which CatchMark Timber Trust sublet 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.

CatchMark Timber Trust incurred the following related-party costs for three months and nine months ended September 30, 2014, respectively:

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	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Consulting fees	\$—	\$137,250
Office rent	—	17,883
Total	\$—	\$155,133

The related-party costs were included in general and administrative expenses in the accompanying consolidated statements of operations.

#### 9. Supplemental Disclosures of Noncash Activities

Outlined below are significant noncash investing and financing transactions for the nine months ended September 30, 2015 and 2014, respectively:

(amounts in thousands)	2015	2014
Write-off of fully amortized deferred financing costs	\$—	\$395



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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our accompanying consolidated financial statements and notes thereto. See also "Cautionary Note Regarding Forward-Looking Statements" preceding Part I, as well as our consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2014.

## Overview

We primarily engage in the ownership, management, acquisition, and disposition of timberland properties located in the United States. As of September 30, 2015, we owned interests in approximately 404,500 acres of timberland within an attractive and competitive fiber basket encompassing a numerous and diverse group of pulp, paper and wood products manufacturing facilities, consisting of 74% pine stands and 26% hardwood stands. We believe that our timberlands are high-quality industrial forestlands that have been intensively managed for sustainable commercial timber production.

We generate recurring income and cash flow from the harvest and sale of timber, as well as from non-timber related revenue sources, such as recreational leases. When and where we believe it is appropriate, we also periodically generate income and cash flow from the sale of HBU timberland. We also expect to realize additional long-term returns from the potential appreciation in value of our timberlands as well as from the potential biological growth of our standing timber inventory in excess of our timber harvest. A substantial portion of our timber sales are derived from the Mahrt Timber Agreements under which we sell specified amounts of timber to WestRock (formerly known as MeadWestvaco), subject to market pricing adjustments. For the nine months ended September 30, 2015 and 2014, approximately 24% and 34% of our net timber sales revenue was derived from the Mahrt Timber Agreements, respectively. 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 nine months ended September 30, 2015, we completed six timberland acquisitions in Georgia, Louisiana, and Texas, totaling approximately 17,600 acres for \$28.4 million, including transaction costs. The acquisitions added 0.6 million tons to our merchantable timber inventory, comprised of 72% pine plantations by acreage and 56% sawtimber by tons. As of September 30, 2015, our timber inventory consisted of an estimated 14.2 million tons of merchantable inventory with the following components:

	Tons (in millions)		
	Fee	Lease	Total
Merchantable timber inventory <sup>(1)</sup> :			
Pulpwood	6.8	0.4	7.2
Sawtimber <sup>(2)</sup>	6.6	0.4	7.0
Total:	13.4	0.8	14.2

(1) Merchantable timber inventory does not include current year growth, which should approximate current year harvest volumes (see Results of Operations below for information on current year harvest volume).

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

The focus of our business is to invest in timberlands and to actively manage our assets to provide current income and attractive long-term returns to our stockholders. Our immediate emphasis is to grow through accretive acquisitions. We continue to build our pipeline of potential acquisitions focused on highly productive assets located in high demand fiber basket markets. Our available credit capacity (see discussions within Liquidity and Capital Resources below) should facilitate closing on additional transactions expeditiously. Our most significant risks and challenges include our ability to access a sufficient amount of capital that will allow us to further grow and diversify our portfolio of timber assets.

Liquidity and Capital Resources

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Debt

The 2014 Amended Credit Agreement provides the following credit facilities for borrowing:

- \$35 million revolving credit facility,
- \$275 million multi-draw term credit facility, and
- \$100 million term loan.

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 up to \$200 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 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 our 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 drawn upon up to eight times during the period beginning on December 23, 2014 through December 23, 2017 and 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 million in our 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 will bear interest at an adjustable rate equal to a base rate plus between 0.75% and 1.75% or a LIBOR rate plus between 1.75% and 2.75%, in each case depending on the LTV Ratio, and will terminate, and all amounts under the facility will be due and payable, on December 23, 2021. The 2014 Multi-Draw Term Facility is interest only until the maturity date; however, if the our LTV Ratio is equal to or in excess of 40% after the 2014 Multi-Draw Commitment Period, 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 was used solely to refinance the balance outstanding under our existing credit facility. The 2014 Term Loan Facility bears interest at an adjustable rate equal to a base rate plus 1.75% or a LIBOR rate plus 1.75%, and will terminate, and all amounts under the facility will be due and payable, on December 23, 2024.

As a result of entering into the 2014 Amended Credit Agreement, we have become eligible to receive annual patronage refunds, a profit-sharing program made available to borrowers of the patronage banks. The annual patronage refund is dependent on the weighted average debt balance with each participating lender, as calculated by CoBank, for the respective fiscal year under patronage loans, as well as the financial performance of the patronage banks. In March 2015, we received a patronage refund on our borrowings during the nine days of 2014 where the 2014 Amended Credit Facilities were outstanding. Of the total amount received, 75% was received in cash and 25% was received in equity in patronage banks.

As of September 30, 2015, \$138.0 million was outstanding under the 2014 Amended Credit Facilities, of which \$100.0 million was outstanding under the 2014 Term Loan Facility and \$38.0 million was outstanding under the 2014 Multi-Draw Term Facility.

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; and
- requires we must maintain a fixed coverage charge ratio of not less than 1.05:1.



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We were in compliance with the financial covenants of the 2014 Amended Credit Agreement as of September 30, 2015.

### 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. Through the end of September 2015, we repurchased 447,952 shares of our common stock at an average price of \$10.21 per share for a total of \$4.6 million. All common stock purchases under the stock repurchase program were made in open-market transactions and were funded with cash on-hand. As discussed above, we can borrow up to \$25.0 million under the Multi-Draw Term Facility to repurchase our common stock. Management believes that opportunistic repurchases of our common stock is a prudent use of capital resources.

As of September 30, 2015, we had \$25.4 million remaining in our share repurchase authorization.

### Short-Term Liquidity and Capital Resources

Net cash provided by operating activities for the nine months ended September 30, 2015 was \$23.8 million, an \$11.0 million increase from the nine months ended September 30, 2014, primarily driven by an increase of \$6.3 million in net cash receipts from timber sales and a \$8.1 million increase in net revenue from timberland sales, offset by a \$1.1 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 nine months ended September 30, 2015, we used \$28.5 million to acquire timberland properties (including transaction costs) and \$1.6 million in reforestation, building roads and fixed asset purchases.

Net cash provided by financing activities for the nine months ended September 30, 2015 was \$0.4 million and represented proceeds from borrowing under the 2014 Multi-Draw Term Facility, offset by debt repayments, dividend payments to our common stockholders, repurchases of common shares, and financing costs paid.

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 12 months.

### 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 selective property sales; proceeds from secured and 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. The amount of cash available for distribution to stockholders and the level of discretionary distributions declared will depend primarily upon the amount of cash generated from our operating activities, our determination of funding needs for near-term capital and debt service requirements, and our expectations of future cash flows.

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 required for 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. Proceeds from debt financings and future equity offerings may be used to acquire timberlands, fund capital expenditures, and pay down existing and future borrowings.

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Our bylaws preclude us from incurring debt in excess of 200% of our net assets. As of September 30, 2015, our debt-to-net-assets ratio as a percentage of our total gross assets (other than intangibles) less total liabilities, was approximately 25%. Our debt-to-net-assets ratio will vary based on our level of current and future borrowings, which will depend on the level of net cash flows from operations, our acquisition activities, and proceeds raised from public offerings of our common stock. Before additional borrowings and equity issuances, principal payments, and timberland acquisitions or dispositions, we expect our debt-to-net-assets ratio to remain relatively stable in the near future.

## Contractual Obligations and Commitments

As of September 30, 2015, our contractual obligations are as follows:

Contractual Obligations (amounts in thousands)	Payments Due by Period				
	Total	2015	2016-2017	2018-2019	Thereafter
Debt obligations	\$138,002	\$—	\$—	\$—	\$138,002
Estimated interest on debt obligations <sup>(1)</sup>	29,654	863	6,908	6,908	14,975
Operating lease obligations <sup>(2)</sup>	4,067	20	1,294	1,189	1,564
Other liabilities <sup>(3)</sup>	625	4	218	184	219
Total	\$172,348	\$887	\$8,420	\$8,281	\$154,760

<sup>(1)</sup> Amounts included the impact of an interest rate swap. See Note 5 – Interest Rate Swap Agreement of our accompanying consolidated financial statements for additional information.

<sup>(2)</sup> Includes payment obligation on approximately 7,330 acres that are subleased to a third party.

<sup>(3)</sup> Represents net present value of future payments to satisfy a liability assumed upon a timberland acquisition.

## Results of Operations

## Overview

Our results of operations are materially impacted by the fluctuating nature of timber prices, changes in the levels and composition of our harvest volumes, the level of timberland acquisitions and sales, changes to associated depletion rates, and varying interest expense based on the amount and cost of outstanding borrowings. Timber prices, harvest volumes, and changes in the levels and composition of each for our timberlands for the three months and nine months ended September 30, 2015 and 2014 are shown in the following tables:

	Three Months Ended September 30,		Change	
	2015	2014		%
Timber sales volume (tons)				
Pulpwood	289,608	258,001	12	%
Sawtimber <sup>(1)</sup>	155,815	138,446	13	%
	445,423	396,447	12	%
Net timber sales price (per ton) <sup>(2)</sup>				
Pulpwood	\$13	\$13	—	%
Sawtimber	\$25	\$25	—	%
Timberland sales				
Gross sales	\$3,554,272	\$485,630		
Sales volumes (acres)	1,953	206		
Sales price (per acre)	\$1,820	\$2,357		





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	Nine Months Ended September 30,		Change	
	2015	2014		%
Timber sales volume (tons)				
Pulpwood	843,673	671,541	26	%
Sawtimber <sup>(1)</sup>	487,725	349,234	40	%
	1,331,398	1,020,775	30	%
Net timber sales price (per ton) <sup>(2)</sup>				
Pulpwood	\$13	\$13	—	%
Sawtimber	\$26	\$24	8	%
Timberland sales				
Gross sales	\$10,319,500	\$1,575,419		
Sales volumes (acres)	5,611	782		
Sales price (per acre)	\$1,839	\$2,015		

<sup>(1)</sup> Includes sales of 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 three months and nine months ended September 30, 2015 and 2014.

#### Comparison of the three months ended September 30, 2015 versus the three months ended September 30, 2014

Revenues. Revenues increased to \$17.6 million for the three months ended September 30, 2015 from \$12.7 million for the three months ended September 30, 2014 due to an increase in timber sales revenue of \$1.2 million, an increase in timberland sales revenue of \$3.1 million, and an increase in other revenues of \$0.7 million. Gross timber sales revenue increased by approximately 11%, mainly due to an increase in harvest volume as a result of incremental harvest on properties acquired in the past 12 months. Timberland sales revenue increased due to selling more acres in 2015. Other revenues increased due to receiving \$0.5 million in easement income as well as having more acres under recreational leases due to the growth of our timberland portfolio.

Details of timber sales by product for the three months ended September 30, 2015 and 2014 are shown in the following table:

(amounts in thousands)	Three Months Ended September 30, 2014	Changes attributable to:		Three Months Ended September 30, 2015
		Price	Volume	
Timber sales <sup>(1)</sup>				
Pulpwood	\$6,829	\$(82	) \$382	\$7,129
Sawtimber <sup>(2)</sup>	4,563	66	875	5,504
	\$11,392	\$(16	) \$1,257	\$12,633

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

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

Operating expenses. Contract logging and hauling costs increased to \$4.9 million for the three months ended September 30, 2015 from \$4.5 million for the three months ended September 30, 2014 as a result of an approximately 10% increase in delivered sales volume primarily from harvest on our recently acquired properties. Depletion expense increased to \$6.7 million for the three months ended September 30, 2015 from \$4.9 million for the three months ended September 30, 2014 due to an approximately 12% 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 \$1.0 million higher than it would have been under the normalized depletion method. Harvest from



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properties acquired in the past 12 months deplete at higher rates than our long-term fee timber. For additional information on change of depletion method, see Application of Critical Accounting Policies below.

Costs of timberland sales increased to \$3.1 million for the three months ended September 30, 2015 due to selling more acres. Other operating expenses increased to \$1.1 million for the three months ended September 30, 2015 from \$0.8 million for the three months ended September 30, 2014, primarily as a result of higher property taxes and other costs associated with having more acres under management.

Forestry management expenses increased to \$1.1 million for the three months ended September 30, 2015 from \$0.9 million for the three months ended September 30, 2014. FRC management fees are earned based on number 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.

General and administrative expenses increased to \$1.7 million for the three months ended September 30, 2015 from \$1.4 million for the three months ended September 30, 2014 due to higher compensation costs. Our compensation costs increased by \$0.2 million as a result of new restricted stock issuances under the LTIP and an increase in the number of full-time employees due to the growth of our business.

Interest income. Interest income decreased by \$0.2 million for the three months ended September 30, 2015 due to receiving a counter-party payment upon termination of our previous interest rate swap agreement during the three months ended September 30, 2014.

Interest expense. Interest expense increased to \$0.9 million for the three months ended September 30, 2015 from \$0.7 million for the three months ended September 30, 2014 primarily due to a higher average outstanding debt balance and a higher fixed rate under our current interest rate swap agreement, offset by accrued patronage refunds of \$0.3 million. 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 \$1.9 million for the three months ended September 30, 2015 from \$0.8 million for the three months ended September 30, 2014 as a result of incurring an operating loss and an increase in interest expense. We incurred an operating loss of \$1.1 million for the three months ended September 30, 2015 as compared to \$0.3 million for the three months ended September 30, 2014, primarily due to a \$1.9 million increase in depletion expense, offset by a \$0.8 million increase in net timber sales revenue and a \$0.3 million increase in timberland sales revenue net of costs of timberland sales. Our net loss per share available to common stockholders for the three months ended September 30, 2015 and 2014 was \$0.05 and \$0.02, respectively. We anticipate future net losses to fluctuate with timber prices, harvest volumes, timberland sales, and interest expense based on our level of current and future borrowings.

Comparison of the nine months ended September 30, 2015 versus the nine months ended September 30, 2014

Revenues. Revenues increased to \$52.0 million for the nine months ended September 30, 2015 from \$33.4 million for the nine months ended September 30, 2014 due to an increase in timber sales revenue of \$8.7 million, an increase in timberland sales revenue of \$8.7 million, and an increase in other revenues of \$1.1 million. Gross timber sales revenue increased by approximately 29%, mainly due to an increase in harvest volume as a result of incremental harvest on properties acquired in the past 12 months. Timberland sales revenue increased due to selling more acres in 2015. Other revenues increased due to receiving \$0.5 million in easement income as well as having more acres under recreational leases due to the growth of our timberland portfolio.

Details of timber sales by product for the nine months ended September 30, 2015 and 2014 are shown in the following table:

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(amounts in thousands)	Nine Months Ended September 30, 2014	Changes attributable to:		Nine Months Ended September 30, 2015
		Price	Volume	
Timber sales <sup>(1)</sup>				
Pulpwood	\$17,752	\$(274	) \$3,395	\$20,873
Sawtimber <sup>(2)</sup>	11,910	362	5,254	17,526
	\$29,662	\$88	\$8,649	\$38,399

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

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

Operating expenses. Contract logging and hauling costs increased to \$14.8 million for the nine months ended September 30, 2015 from \$12.4 million for the nine months ended September 30, 2014 as a result of an approximately 21% increase in delivered sales volume primarily from harvest on our recently acquired properties. Delivered sales as a percentage of our total harvest volume decreased to approximately 62% for the nine months ended September 30, 2015 from approximately 67% for the nine months ended September 30, 2014. Depletion expense increased to \$19.3 million for the nine months ended September 30, 2015 from \$10.4 million for the nine months ended September 30, 2014 due to a 30% 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 \$3.6 million higher than it would have been under the normalized depletion method. Harvest from properties acquired in the past 12 months deplete at higher rates than our long-term fee timber. For additional information on change of depletion method, see Application of Critical Accounting Policies below.

Costs of timberland sales increased to \$8.5 million for the nine months ended September 30, 2015 from \$1.2 million for the nine months ended September 30, 2014 due to selling more acres. Other operating expenses increased to \$3.0 million for the nine months ended September 30, 2015 from \$2.1 million for the nine months ended September 30, 2014, primarily as a result of higher property taxes and other costs associated with having more acres under management.

Forestry management expenses increased to \$3.3 million for the nine months ended September 30, 2015 from \$2.4 million for the nine months ended September 30, 2014. FRC management fees are earned based on number 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.

General and administrative expenses increased to \$5.2 million for the nine months ended September 30, 2015 from \$4.2 million for the nine months ended September 30, 2014 due to higher compensation costs and legal fees. Compensation costs increased by \$0.8 million as a result of new restricted stock issuances under the LTIP and 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 on-going investigation into Wells Investment Securities, Inc. ("WIS"), the dealer-manager of our two completed non-listed public offerings, and us (See Related-Party Transactions and Agreements below).

Interest income. Interest income decreased by \$0.2 million for the nine months ended September 30, 2015 due to receiving a counter-party payment upon termination of our previous interest rate swap agreement.

Interest expense. Interest expense increased to \$2.5 million for the nine months ended September 30, 2015 from \$1.8 million for the nine months ended September 30, 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 \$0.9 million. 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 \$5.1 million for the nine months ended September 30, 2015 from \$1.5 million for the nine months ended September 30, 2014 as a result of incurring an operating loss and an increase in interest expense.

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We incurred an operating loss of \$2.6 million for the nine months ended September 30, 2015 as compared to generating operating income of \$0.2 million for the nine months ended September 30, 2014, primarily due to a \$8.9 million increase in depletion expense, \$1.0 million increase in general and administrative expenses, and a \$0.9 million increase in other operating expenses, offset by a \$6.3 million increase in net timber sales revenue and a \$1.4 million increase in timberland sales revenue net of costs of timberland sales. Our net loss per share available to common stockholders for the nine months ended September 30, 2015 and 2014 was \$0.13 and \$0.05, respectively. We anticipate future net losses to fluctuate with timber prices, harvest volumes, timberland sales, and interest expense based on our level of current and future borrowings.

## Adjusted EBITDA

The discussion below is intended to enhance the reader's understanding of our operating performance and our ability to satisfy lender requirements. Earnings from Continuing Operations before Interest, Taxes, Depletion, and Amortization ("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 and performance. Our credit agreements contain 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 three months ended September 30, 2015, Adjusted EBITDA was \$8.8 million, a \$3.6 million increase from the three months ended September 30, 2014, primarily due to a \$0.8 million increase in net timber sales, a \$2.9 million increase in net revenue from timberland sales and a \$0.7 million increase in other revenues, offset by a \$0.4 million increase in other operating expenses, a \$0.1 million increase in general and administrative expenses, and a \$0.2 million increase in forestry management fees.

For the nine months ended September 30, 2015, Adjusted EBITDA was \$25.2 million, a \$13.1 million increase from the nine months ended September 30, 2014, primarily due to a \$6.3 million increase in net timber sales, a \$8.1 million increase in net revenue from timberland sales and a \$1.1 million increase in other revenues, offset by a \$0.9 million increase in other operating expenses, a \$0.7 million increase in general and administrative expenses, and a \$0.8 million increase in forestry management fees.

Our reconciliation of net loss to Adjusted EBITDA for the three months and nine months ended September 30, 2015 and 2014 follows:

(amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net loss	\$(1,944)	\$(764)	\$(5,091)	\$(1,501)
Add:				
Depletion	6,710	4,857	19,308	10,390
Basis of timberland sold	2,859	299	7,753	1,043
Amortization <sup>(1)</sup>	188	428	578	654
Stock-based compensation expense	231	106	642	285
Interest expense <sup>(1)</sup>	719	257	2,042	1,244
Adjusted EBITDA	\$8,763	\$5,183	\$25,232	\$12,115
<sup>(1)</sup>				

For the purpose of the above reconciliation, amortization includes amortization of deferred financing costs, 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 Internal Revenue Code of 1986, as amended (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 Internal Revenue Service 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

In connection with the acquisition of the Mahrt Timberland, we entered into the Mahrt Timber Agreements with WestRock, formerly known as MeadWestvaco. The Mahrt Timber Agreements provide that we will sell to WestRock 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.

## 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.

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, costs of seeds or seedlings, planting, fertilization and herbicide application, are capitalized. 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



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We recognize depletion expense as timber is harvested. Prior to January 1, 2015, depletion rates for fee timber held longer than 12 months were determined annually using the normalized depletion method, by dividing (a) the sum of (i) net carrying value of merchantable and premerchantable timber, and (ii) projected approved reforestation costs to be capitalized over the remaining harvest cycle; by (b) the estimated merchantable timber volume expected to be harvested over the same period. The projected future harvest volume is derived by running a specialized modeling software based on the specific management regime adapted and a set of scientific formulas. Significant management judgments were involved to develop estimates of future harvest volumes and future reforestation costs.

Effective January 1, 2015, we changed the depletion method on its long-term fee timber to the straight-line method. The straight-line depletion rates are established at least annually by dividing the book value by current standing timber inventory volume. We believe the change from the normalized depletion method to the straight-line depletion method is preferable as the straight-line method is based on the actual costs recorded and volumes of timber that are merchantable as of the date that the depletion rates are determined. It is less reliant on subjective and complex estimates as it does not include future costs to be incurred or expected timber growth. Therefore, the straight-line depletion method provides for a more disaggregated tracking of costs and volumes and allocation of costs as the timber is harvested.

In accordance with FASB ASC 250, we determined that the change in depletion method is a change in accounting estimate effected by a change in accounting principle, and accordingly, the straight-line method will be applied on a prospective basis.

### 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 fair values of timberland and timber are determined based on available market information and estimated cash flow projections that utilize appropriate discount factors and capitalization rates. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions. The values are then allocated to timberland and timber based on our determination of the relative fair value of these assets.

### 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) collectability is reasonably assured. Our primary sources of revenue are recognized as follows:

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- (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 collectability 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.
- (4) For recreational leases, rental income collected in advance is recorded as other liabilities in the accompanying 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. Any extensions of time will be negotiated under a new or amended contract.

### Related-Party Transactions and Agreements

Prior to becoming a self-managed company, we were externally managed by Wells TIMO, which was a wholly owned subsidiary of Wells REF. On September 18, 2013, we entered into the Master Agreement with Wells, which set forth the framework for our separation from Wells and our transition to self-management.

Pursuant to the Master Agreement, we entered into the TSA with Wells on October 25, 2013, pursuant to which Wells provided us with certain consulting, support, and transitional services in order to facilitate our successful transition to self-management. In exchange for the services provided by Wells under the TSA, we paid Wells a monthly consulting fee of \$22,875. The TSA remained in effect until June 30, 2014.

Also pursuant to the Master Agreement, we entered into a Sublease Agreement with Wells on October 25, 2013, pursuant to which we sublet 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.

On January 31, 2014, we entered into an agreement with Wells related to transfer agency services fees, pursuant to which Wells would pay transfer agency fees directly to DST System, Inc. ("DST"), our former transfer agent, from December 2013 to February 2014, when we discontinued use of DST for our transfer agency services.

All related person transactions must be approved or ratified by a majority of the disinterested directors on our board of directors. For more information about our relationship with Wells and its affiliates, see Item 13. Certain Relationships and Related Transaction, And Director Independence in our Annual Report on Form 10-K for the year ended December 31, 2014.

### Regulatory Matters

In February 2013, we received a formal subpoena for documents and information from the SEC in connection with the SEC non-public, formal, fact finding investigation regarding WIS, a Wells affiliate and former dealer-manager of our two completed non-listed public offerings, and us. The investigation relates to whether there have been violations of

certain provisions of the federal securities laws regarding valuation, potential distributions, marketing, and suitability. We have fully cooperated with the SEC and completed our production of documents and information in response to the subpoena in April 2014.

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We have not been accused of any wrongdoing by the SEC. We also have been informed by the SEC that the existence of this investigation does not mean that the SEC has concluded that anyone has violated any laws or regulations or that the SEC has a negative opinion of any person, entity or security. We cannot reasonably estimate the timing of the conclusion of the investigation, nor can we predict whether or not the SEC will take any action against us as a result of the investigation and, if they do, what the ultimate outcome will be.

### Commitments and Contingencies

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

Examples of such commitments and contingencies include:

- Mahrt Timber Agreements;
- FRC Timberland Operating Agreements;
- 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.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a result of entering into our credit agreements, 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 interest rate swap agreements from time to time, 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 September 30, 2015, we had \$138.0 million outstanding on the 2014 Amended Credit Facilities, of which \$100.0 million under the 2014 Term Loan Facility matures on December 23, 2024 and \$38.0 million under the 2014 Multi-Draw Term Facility matures on December 23, 2021. The loans bear interest at a LIBOR Rate plus a margin ranging from 1.75% to 2.75% based upon the then-current LTV Ratio.

Under the 2014 Rabobank Swap, we pay interest at a fixed rate of 2.395% per annum and receive variable LIBOR-based interest payments from Rabobank between December 23, 2014 and December 23, 2024. As of September 30, 2015, the weighted-average interest rate of the 2014 Amended Credit Facilities, after consideration of the 2014 Rabobank Swap, was 2.50%.

Approximately \$35.0 million of our total debt outstanding as of September 30, 2015 is subject to an effectively fixed-interest rate when coupled with 2014 Rabobank Swap. As of September 30, 2015, this balance incurred interest expense at an average rate of 4.145%. A change in the market interest rate impacts the net financial instrument position of our fixed-rate debt portfolio; however, it has no impact on interest incurred or cash flows.





As of September 30, 2015, after consideration of the 2014 Rabobank Swap, approximately \$103.0 million of our total debt outstanding is subject to an effectively variable-interest rate. This balance incurred interest expense at an average rate of 1.94% as of September 30, 2015. A 1.0% change in interest rates would result in a change in interest expense of approximately \$1.0 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 employ such proceeds toward repayment of the 2014 Amended Credit Facilities and acquisition of timberland properties.

#### ITEM 4. CONTROLS AND PROCEDURES

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

Management, with the participation of the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), has evaluated 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 quarterly 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 quarterly 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.

##### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

## ITEM 1. 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 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2014.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Issuer Purchases of Equity Securities

The following table provides information regarding our purchases of CatchMark Timber Trust's common stock during the quarter ended September 30, 2015:

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)
July 1 - July 31	—	—	—	—
August 1 - August 31	175,408	\$10.23	175,408	\$28.2 million
September 1 - September 30	272,544	\$10.20	272,544	\$25.4 million
Total	447,952		447,952	\$25.4 million

On August 7, 2015, our Board of Directors authorized a share repurchase program under which we may repurchase (1) up to \$30 million of our outstanding common shares. All purchases of outstanding common shares were made in open-market transactions.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

(a) There have been no defaults with respect to any of our indebtedness.

(b) Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

(a) During the third quarter of 2015, there was no information that was required to be disclosed in a report on Form 8-K that was not disclosed in a report on Form 8-K.

(b) There are no material changes to the procedures by which stockholders may recommend nominees to our board of directors since the filing of our Schedule 14A.

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ITEM 6. EXHIBITS

The exhibits required to be filed with this report are set forth on the Exhibit Index hereto and incorporated by reference herein.

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**SIGNATURES**

Pursuant to the requirements 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.

CATCHMARK TIMBER TRUST, INC.  
(Registrant)

Date: November 2, 2015

By: /s/ Brian M. Davis  
Brian M. Davis  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

EXHIBIT INDEX TO THIRD QUARTER 2015 FORM 10-Q  
CATCHMARK TIMBER TRUST, INC.

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)
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)
10.1*	CatchMark Timber Trust, Inc. Amended and Restated Independent Directors Compensation Plan (as amended and restated on July 30, 2015)
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.