

CatchMark Timber Trust, Inc.
Form 10-Q
May 05, 2016

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

FORM 10-Q

(Mark
One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2016

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

(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 April 29, 2016:

Class A Common Stock 38,772,424 shares

FORM 10-Q

CATCHMARK TIMBER TRUST, INC.

TABLE OF CONTENTS

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. <u>Condensed Consolidated Financial Statements</u>	<u>4</u>
<u>Consolidated Balance Sheets as of March 31, 2016 (unaudited) and December 31, 2015</u>	<u>5</u>
<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2016 (unaudited) and 2015 (unaudited)</u>	<u>6</u>
<u>Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2016 (unaudited) and 2015 (unaudited)</u>	<u>7</u>
<u>Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2016 (unaudited) and 2015 (unaudited)</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 (unaudited) and 2015 (unaudited)</u>	<u>9</u>
<u>Condensed Notes to Consolidated Financial Statements (unaudited)</u>	<u>10</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
Item 4. <u>Controls and Procedures</u>	<u>27</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>28</u>
Item 1A. <u>Risk Factors</u>	<u>28</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>28</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>28</u>
Item 5. <u>Other Information</u>	<u>28</u>
Item 6. <u>Exhibits</u>	<u>29</u>

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, 2015 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.

GLOSSARY

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

AgFirst	Agfirst Farm Credit Bank
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CoBank	CoBank, ACB
Code	Internal Revenue Code of 1986, as amended
EBITDA	Earnings from Continuing Operations before Interest, Taxes, Depletion, and Amortization
FASB	Financial Accounting Standards Board
FCC	Fixed Charge Coverage
FRC	Forest Resource Consultants, Inc.
GAAP	Generally Accepted Accounting Principles
HBU	Higher and Better Use
LIBOR	London Interbank Offered Rate
LTIP	Long-term incentive plan
LTV	Loan-to-Value
NYSE	New York Stock Exchange
Rabobank	Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A.
REIT	Real Estate Investment Trust
SEC	Securities and Exchange Commission
TRS	Taxable REIT Subsidiary
U.S.	United States
VIE	Variable Interest Entity
WestRock	WestRock Company (formerly known as MeadWestvaco Corporation)
WIS	Wells Investment Securities, Inc.

Table of Contents

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, 2015. CatchMark Timber Trust's results of operations for the three months ended March 31, 2016 are not necessarily indicative of the operating results expected for the full year.

Table of Contents

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except for per-share data)

	(Unaudited)	
	March 31, 2016	December 31, 2015
Assets:		
Cash and cash equivalents	\$ 14,309	\$ 8,025
Accounts receivable	2,166	2,562
Prepaid expenses and other assets	3,581	3,277
Deferred financing costs, less accumulated amortization of \$145 and \$123 as of March 31, 2016 and December 31, 2015, respectively	332	354
Timber assets (Note 3):		
Timber and timberlands, net	582,809	584,854
Intangible lease assets, less accumulated amortization of \$935 and \$934 as of March 31, 2016 and December 31, 2015, respectively	22	23
Total assets	\$ 603,219	\$ 599,095
Liabilities:		
Accounts payable and accrued expenses	\$ 3,393	\$ 3,307
Other liabilities	4,412	3,703
Note payable and line of credit, less net deferred financing costs (Note 4)	193,466	181,047
Total liabilities	201,271	188,057
Commitments and Contingencies (Note 6)	—	—
Stockholders' Equity:		
Class A common stock, \$0.01 par value; 900,000 shares authorized; 38,772 and 38,975 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	388	390
Additional paid-in capital	605,040	607,409
Accumulated deficit and distributions	(200,739)	(195,341)
Accumulated other comprehensive loss	(2,741)	(1,420)
Total stockholders' equity	401,948	411,038
Total liabilities and stockholders' equity	\$ 603,219	\$ 599,095
See accompanying notes.		

Table of ContentsCATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per-share data)

	(Unaudited) Three Months Ended March 31,	
	2016	2015
Revenues:		
Timber sales	\$17,501	\$13,094
Timberland sales	8,666	6,174
Other revenues	1,014	976
	27,181	20,244
Expenses:		
Contract logging and hauling costs	6,423	5,120
Depletion	7,784	6,202
Cost of timberland sales	7,699	5,006
Forestry management expenses	1,352	1,121
General and administrative expenses	2,047	1,668
Land rent expense	171	203
Other operating expenses	1,035	938
	26,511	20,258
Operating income (loss)	670	(14)
Other income (expense):		
Interest income	11	—
Interest expense	(1,268)	(803)
	(1,257)	(803)
Net loss available to common stockholders	\$(587)	\$(817)
Weighted-average common shares outstanding - basic and diluted	38,878	39,253
Net loss per-share available to common stockholders - basic and diluted	\$(0.02)	\$(0.02)

See accompanying notes.

Table of Contents

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

	(Unaudited)	
	Three Months	
	Ended	
	March 31,	
	2016	2015
Net loss	\$(587)	\$(817)
Other comprehensive loss:		
Market value adjustment to interest rate swap	(1,321)	(894)
Comprehensive loss	\$(1,908)	\$(1,711)

See accompanying notes.

Table of Contents

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(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, 2015	38,975	\$ 390	—	\$ —	\$607,409	\$(195,341)	\$ (1,420)	\$ 411,038
Common stock issued pursuant to:								
Long-term incentive plan, net of amounts withheld for income taxes					136			136
Dividends to common stockholders (\$0.125 per share)						(4,811)		(4,811)
Repurchases of common shares (242)	(2)				(2,505)			(2,507)
Net loss						(587)		(587)
Other comprehensive loss							(1,321)	(1,321)
Balance, March 31, 2016	38,772	\$ 388	—	\$ —	\$605,040	\$(200,739)	\$ (2,741)	\$ 401,948

	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, 2014	36,193	\$ 362	3,164	\$ 32	\$612,518	\$(167,364)	\$ (856)	\$ 444,692
Common stock issued pursuant to:								
Long-term incentive plan, net of amounts withheld for income taxes					176			178
Conversion to Class A Shares	3,164	32	(3,164)	(32)				—
Dividends to common stockholders (\$0.125 per share)						(4,919)		(4,919)
Net loss						(817)		(817)
Other comprehensive loss							(894)	(894)
Balance, March 31, 2015	39,551	\$ 396	—	\$ —	\$612,694	\$(173,100)	\$ (1,750)	\$ 438,240

See accompanying notes.

Table of Contents

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

	(Unaudited)	
	Three Months	
	Ended	
	March 31,	
	2016	2015
Cash Flows from Operating Activities:		
Net loss	\$(587)	\$(817)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion	7,784	6,202
Other amortization	28	29
Stock-based compensation expense	276	178
Noncash interest expense	189	151
Basis of timberland sold	7,327	4,567
Changes in assets and liabilities:		
Accounts receivable	396	(623)
Prepaid expenses and other assets	(187)	49
Accounts payable and accrued expenses	157	763
Other liabilities	(613)	(827)
Net cash provided by operating activities	14,770	9,672
Cash Flows from Investing Activities:		
Timberland acquisitions	(12,504)	(14,517)
Capital expenditures (excluding timberland acquisitions)	(737)	(846)
Net cash used in investing activities	(13,241)	(15,363)
Cash Flows from Financing Activities:		
Proceeds from note payable	13,000	14,500
Repayments of note payable	—	(498)
Financing costs paid	(787)	(209)
Dividends paid to common stockholders	(4,811)	(4,919)
Repurchases of common shares	(2,647)	—
Net cash provided by financing activities	4,755	8,874
Net increase in cash and cash equivalents	6,284	3,183
Cash and cash equivalents, beginning of period	8,025	17,365
Cash and cash equivalents, end of period	\$14,309	\$20,548

See accompanying notes.

Table of Contents

CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 (unaudited)

1. Organization

CatchMark Timber Trust Inc. ("CatchMark Timber Trust") (NYSE: CTT) primarily engages in the ownership, management, acquisition, and disposition of timberlands located in the U.S. South and has elected to be taxed as a 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 non-strategic timberland properties, or HBU timberland properties that have a higher-value use beyond growing timber, 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 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 GAAP and shall include the accounts of any 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, 2015.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting

Table of Contents

the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees classified as capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CatchMark Timber Trust has not yet adopted the new standard and is currently evaluating the impact that the standard will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. CatchMark Timber Trust has not yet adopted the new standard and is currently evaluating the impact that the standard will have on its financial statements.

3. Timber Assets

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

(in thousands)	As of March 31, 2016		
	Gross	Accumulated Depletion or Amortization	Net
Timber	\$258,901	\$ 7,784	\$251,117
Timberlands	331,370	—	331,370
Mainline roads	748	426	322
Timber and timberlands	\$591,019	\$ 8,210	\$582,809

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

Timberland Acquisitions

During the three months ended March 31, 2016 and 2015, CatchMark Timber Trust acquired fee-simple interests in approximately 8,700 and 7,700 acres of timberland for \$12.2 million and \$14.5 million, exclusive of closing costs, respectively. A detailed breakout of acreage acquired by state is listed below:

Acres Acquired In:	2016	2015
Georgia	5,200	7,700
South Carolina	3,500	—
Total	8,700	7,700

Timberland Sales

Table of Contents

During the three months ended March 31, 2016 and 2015, CatchMark Timber Trust sold approximately 5,000 and 3,400 acres of timberland, respectively, for \$8.7 million and \$6.2 million, respectively. CatchMark Timber Trust's cost basis in the timberland sold was \$7.3 million and \$4.6 million, respectively. A detailed breakout of land sale acreage by state is listed below:

Acres Sold In:	2016	2015
Alabama	300	1,700
Georgia	4,100	1,700
Florida	600	—
Total	5,000	3,400

Current Timberland Portfolio

As of March 31, 2016, CatchMark Timber Trust owned interests in approximately 428,700 acres of timberlands in the U.S. South; 404,900 acres of which were held in fee-simple interests and 23,800 acres were held in leasehold interests. A detailed breakout of land acreage by state is listed below:

Acres by state as of March 31, 2016	Fee	Lease	Total
Alabama	72,500	5,600	78,100
Florida	2,000	—	2,000
Georgia	255,600	18,200	273,800
Louisiana	21,300	—	21,300
North Carolina	1,600	—	1,600
South Carolina	16,000	—	16,000
Tennessee	300	—	300
Texas	35,600	—	35,600
Total:	404,900	23,800	428,700

4. Note Payable and Line of Credit

2014 Amended Credit Agreement

CatchMark Timber Trust is a party to an amended and restated credit agreement with CoBank, AgFirst, Rabobank, and certain other financial institutions, which was entered into on December 23, 2014 (the "2014 Amended Credit Agreement"). The 2014 Amended Credit Agreement originally provided for borrowings 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 Facilities may be increased, upon the agreement of lenders willing to increase their loans, by up to \$200.0 million. On December 11, 2015, CatchMark Timber Trust increased its borrowing capacity under the 2014 Multi-Draw Term Facility by \$90.0 million, from \$275.0 million to \$365.0 million. As of March 31, 2016, \$302.0 million remained available under the 2014 Amended Credit Agreement, \$267.0 million from the 2014 Multi-Draw Term Facility and \$35.0 million from the 2014 Revolving Credit Facility.

Table of Contents

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 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 December 23, 2017. The 2014 Multi-Draw Term Facility is interest only until December 23, 2021; 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.

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

(dollars in thousands)	Maturity Date	Stated Rate ⁽²⁾	Current Interest Rate ⁽³⁾	Outstanding Balance as of	
				March 31, 2016	December 31, 2015
2014 Multi-Draw Term Facility	12/23/2021	LIBOR + 2%	2.44%	98,002	85,002
2014 Term Loan Facility	12/23/2024	LIBOR + 1.75%	2.18%	\$100,000	\$100,000
Total principal balance				\$198,002	\$185,002
Less: net unamortized deferred financing costs ⁽¹⁾				\$(4,536)	\$(3,955)
Total				\$193,466	\$181,047

(1) Net unamortized deferred financing costs represent costs incurred for borrowings under the 2014 Term Loan Facility and the 2014 Multi-Draw Term Facility only.

(2) Represents the variable rate basis plus the applicable spread per the 2014 Amended Credit Agreement. The applicable spread on the 2014 Multi-Draw Term Facility depends on the LTV ratio.

(3) Represents the weighted average interest rate as of March 31, 2016. The weighted average interest rate excludes the impact of the interest rate swap agreement (see Note 5 – Interest Rate Swap Agreement), amortization of deferred financing costs, unused commitment fees, and estimated patronage refunds.

Patronage

As a result of entering into the 2014 Amended Credit Agreement, CatchMark Timber Trust became 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. The patronage refund is calculated based on the weighted average balance outstanding under the 2014 Term Loan Facility and the 2014 Multi-Draw Term Facility (collectively, the "Patronage Loans").

In March 2016, CatchMark Timber Trust received a patronage refund of \$1.2 million on its borrowings under Patronage Loans during 2015. Of the total amount received, 75% was received in cash and 25% was received in equity in Patronage Banks. The equity component of the patronage refund is redeemable for cash only at the discretion

of the Patronage Banks' respective boards of directors and then only if the Patronage Banks' minimum capital standards are met. The Patronage Banks target equity threshold for redemption is based on the percentage of the five-year historical average loan balance. As of March 31, 2016, CatchMark Timber Trust has approximately \$0.3 million of equity in Patronage Banks recorded in prepaid expenses and other assets on the consolidated balance sheets.

CatchMark Timber Trust expects to receive a patronage refund for 2016 in the first quarter of 2017 and accrues for the expected refunds by multiplying the weighted average outstanding balance under the Patronage Loans by 0.90%.

Table of Contents

For the three months ended March 31, 2016, CatchMark Timber Trust recorded \$0.4 million in patronage refunds as a credit to its interest expense and a debit to accounts receivable.

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 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 March 31, 2016.

CatchMark Timber Trust's obligations under the 2014 Amended Credit Agreement are collateralized by a first priority lien on the timberlands owned by CatchMark Timber Trust's subsidiaries and substantially all of CatchMark Timber Trust's subsidiaries' other assets in which a security interest may lawfully be granted, including, without limitation, accounts, equipment, inventory, intellectual property, bank accounts and investment property. In addition, CatchMark Timber Trust's obligations under the 2014 Amended Credit Agreement are jointly and severally guaranteed by CatchMark Timber Trust and all of its subsidiaries pursuant to the terms of the 2014 Amended Credit Agreement. CatchMark Timber Trust has also agreed to guarantee certain losses caused by certain willful acts of CatchMark Timber Trust or its subsidiaries.

Interest Paid and Fair Value of Outstanding Debt

During the three months ended March 31, 2016 and 2015, CatchMark Timber Trust made interest payments of \$1.2 million and \$0.6 million, respectively, on its borrowings. Included in the interest payments for the three months ended March 31, 2016 and 2015 were unused commitment fees of \$0.2 million and \$0.02 million, respectively.

As of March 31, 2016 and December 31, 2015, the weighted-average interest rate on these borrowings, after consideration of an interest rate swap, was 2.65% and 2.65%, respectively. After further consideration of the expected patronage refunds, CatchMark Timber Trust's weighted average interest rate as of March 31, 2016 and December 31, 2015 was 1.75% and 1.75%, respectively.

As of March 31, 2016, 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 2014 Rabobank Swap

During the three months ended March 31, 2016, CatchMark Timber Trust used one interest rate swap agreement with

14

Table of Contents

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.

Fair Value and Cash Paid for Interest Under Interest Rate Swap Agreement

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

(in thousands)	Instrument Type	Balance Sheet Classification	Estimated Fair Value as of	
			March 31, 2016	December 31, 2015
Derivatives designated as hedging instruments:				
	Interest rate swap contract	Other liabilities	\$(2,741)	\$ (1,420)

During the three months ended March 31, 2016, CatchMark Timber Trust recognized a change in fair value of the 2014 Rabobank Swap of approximately \$1.3 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 \$0.2 million made under the 2014 Rabobank Swap by CatchMark Timber Trust during the three months ended March 31, 2016 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. 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.

Timberland Operating Agreement

Pursuant to the terms of the timberland operating agreement between CatchMark Timber Trust and FRC (the "FRC Timberland Operating Agreement"), FRC manages and operates a majority of CatchMark Timber Trust's timberlands and related timber operations, including ensuring delivery of timber to WestRock in compliance with the Mahrt Timber Agreements. In consideration for rendering the services described in the timberland operating agreement, CatchMark Timber Trust pays FRC (i) a monthly management fee based on the actual acreage FRC manages, which is payable monthly in advance, and (ii) an incentive fee based on timber harvest revenues generated by the timberlands, which is payable quarterly in arrears. The timberland operating agreement, as amended, is 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

15

Table of Contents

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. Share Repurchase Program and Stock-based Compensation

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 quarter ended March 31, 2016, CatchMark Timber Trust repurchased 242,429 shares of common stock for approximately \$2.5 million. All common stock purchases through the quarter ended March 31, 2016 under the stock repurchase program were made in open-market transactions. As of March 31, 2016, CatchMark Timber Trust had 38.8 million shares of common stock outstanding and may purchase up to an additional \$21.5 million under the program.

Stock-based Compensation

CatchMark Timber Trust grants restricted stock to its employees and independent directors pursuant to its 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.

A rollforward of CatchMark Timber Trust's unvested restricted stock award activity for the three months ended March 31, 2016 is as follows:

Employees		Independent Directors	
Number of Underlying Shares	Weighted Average Grant Date	Number of Underlying Shares	Weighted Average Grant Date

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		Fair Value		Fair Value
Unvested as of December 31, 2015	278,100	\$ 10.29	20,901	\$ 12.71
Granted	51,750	10.42	—	—
Vested	(34,225)	12.34	(7,820)	12.79
Forfeited	(1,000)	11.57	—	—
Unvested as of March 31, 2016	294,625	\$ 10.07	13,081	\$ 12.66

Table of Contents

During the three months ended March 31, 2016, CatchMark Timber Trust withheld 12,640 and 618 shares from employees and directors, respectively, to satisfy minimum tax withholding requirements on vested and granted shares.

During the three months ended March 31, 2016 and 2015 CatchMark Timber Trust recognized approximately \$0.3 million and \$0.2 million, respectively, of stock-based compensation expense. As of March 31, 2016, approximately \$2.4 million of unrecognized compensation expenses related to non-vested restricted stock remained and will be recognized over a weighted-average period of 3.6 years.

8. Subsequent Event

Dividend declaration

On May 5, 2016, CatchMark Timber Trust declared a cash dividend of \$0.135 per share for its Class A common stockholders of record on May 27, 2016, payable on June 16, 2016.

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, 2015.

Overview

We primarily engage in the ownership, management, acquisition, and disposition of timberland properties located in the U.S. South. During the year ended March 31, 2016, we acquired approximately 8,700 acres of prime timberlands in Georgia and South Carolina, for \$12.5 million, including closing costs. These acquisitions added approximately 0.4 million tons of merchantable inventory, comprised of 57% pine plantations (by acreage) and 33% sawtimber (by tons), and furthered our growth strategy by expanding our current holdings into the favorable markets of Coastal Georgia and the Carolinas within the U.S. South.

As of March 31, 2016, we owned interests in approximately 428,700 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. We also periodically generate income and cash flow from the sale of HBU timberland and non-strategic timberland. We expect to realize additional long-term returns from the potential appreciation in value of our timberlands as well as from the 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 subject to market pricing adjustments. For the three months ended March 31, 2016 and 2015, approximately 12% and 20%, respectively, of our net timber sales revenue was derived from the Mahrt Timber Agreements. See Note 6 – Commitments and Contingencies of our accompanying consolidated financial statements for additional information regarding the material terms of the Mahrt Timber Agreements.

As of March 31, 2016, our timber inventory consisted of an estimated 16.5 million tons of merchantable inventory with the following components:

17

Table of Contents

	Tons (in millions)	
Merchantable timber inventory ⁽¹⁾ :	Fee	Lease Total
Pulpwood	8.1	0.4 8.5
Sawtimber ⁽²⁾	7.6	0.4 8.0
Total:		