PNC FINANCIAL SERVICES GROUP, INC.
Form 424B5
September 14, 2012
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)5
Registration No. 333-164364

SUBJECT TO COMPLETION. DATED SEPTEMBER 14, 2012

PROSPECTUS SUPPLEMENT

(To Prospectus dated September 6, 2012)

THE PNC FINANCIAL SERVICES GROUP, INC.

Depositary Shares Each Representing a 1/4,000th

Interest in a Share of % Non-Cumulative Perpetual Preferred Stock, Series Q

We are offering depositary shares each representing a 1/4,000th ownership interest in a share of % Non-Cumulative Perpetual Preferred Stock, Series Q, $1.00 par value, with a liquidation preference of $100,000 per share (equivalent to $25.00 per depositary share) (the Preferred Stock). As a holder of depositary shares, you will be entitled to all proportional rights and preferences of the Preferred Stock (including dividend, voting, redemption and liquidation rights). You must exercise such rights through the depositary.

For a discussion of certain risks that you should consider in connection with an investment in the depositary shares, see Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, as amended by Amendment No. 1 on Form 10-K/A, and all subsequent filings under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as the additional risk factors contained in this prospectus supplement beginning on page S-12.

We will pay dividends on the Preferred Stock, when, as, and if declared by our board of directors or a duly authorized committee of the board. Dividends will accrue and be payable from the date of issuance at a rate of % per annum, payable quarterly, in arrears, on March 1, June 1, September 1 and December 1 of each year, beginning on December 1, 2012. Upon payment of any dividends on the Preferred Stock, holders of depositary shares will receive a proportionate payment.

Dividends on the Preferred Stock will not be cumulative. If our board of directors or a duly authorized committee of the board does not declare a dividend on the Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and we will have no obligation to pay any dividend for that dividend period, whether or not our board of directors or a duly authorized committee of our board declares a dividend on the Preferred Stock for any future dividend period.

We may redeem the Preferred Stock at our option, (i) in whole or in part, from time to time, on any dividend payment date on or after December 1, 2017 at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, or (ii) in whole but not in part, at any time within 90 days following a regulatory capital treatment event (as defined herein), at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends and any accrued and unpaid dividends (whether or not declared) to the redemption date. If we redeem the Preferred Stock, the depositary will redeem a proportionate number of depositary shares.

The Preferred Stock will not have any voting rights, except as set forth under Description of Preferred Stock Voting Rights on page S-21.

Neither the Preferred Stock nor the depositary shares are deposits or other obligations of a bank or are insured by the Federal Deposit Insurance Corporation or any other government agency.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of the depositary shares or Preferred Stock or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Depositary Share	Total (3)
Public Offering Price(1)	$	$
Underwriting Discounts and Commissions(2)	$	$
Proceeds (before expenses)(3)	$	$

(1) Plus accrued dividends, if any, from the date of original issuance, which is expected to be September , 2012.

(2) Reflects depositary shares sold to institutional investors, for which the underwriters received an underwriting discount of $ per share and depositary shares sold to retail investors for which the underwriters received an underwriting discount of $ per share.

(3) Assumes no exercise of the underwriters over-allotment option described below.

The underwriters expect to deliver the depositary shares to purchasers in book-entry form through the facilities of The Depository Trust Company and its direct participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear), and Clearstream Banking, a société anonyme (Clearstream), on or about September , 2012.

We have granted the underwriters an option to purchase up to an additional depositary shares within 30 days after the date of this prospectus supplement at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any.

Because our affiliate, PNC Capital Markets LLC, is participating in the offer and sale of the depositary shares, the offering is being conducted in compliance with Financial Industry Regulatory Authority (FINRA) Rule 5121.

Affiliates of J.P. Morgan Securities LLC beneficially own ten percent or more of our outstanding preferred equity. Any underwriter, along with its affiliates, that beneficially owns ten percent or more of our outstanding preferred equity is considered by FINRA to have a conflict of interest with us in regard to this offering. Accordingly, J.P. Morgan Securities LLC has a conflict of interest within the meaning of FINRA Rule 5121. Because this offering is being made in compliance with the requirements of FINRA Rule 5121, a qualified independent underwriter is not required.

We intend to apply to list the depositary shares on the New York Stock Exchange under the symbol PNCPRQ . If the application is approved, trading of the depositary shares on the New York Stock Exchange is expected to commence within 30 days after they are first issued.

Joint Book-Running Managers

Morgan Stanley

BofA Merrill Lynch

Citigroup

J.P. Morgan

PNC Capital Markets LLC

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About This Prospectus Supplement

You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information in the accompanying prospectus and in Incorporation of Certain Documents by Reference in this prospectus supplement.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to PNC, we, us, our or simila references mean The PNC Financial Services Group, Inc. and its successors. References to The PNC Financial Services Group, Inc. and its subsidiaries, on a consolidated basis, are specifically made where applicable.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Currency amounts in this prospectus supplement and the accompanying prospectus are stated in U.S. dollars.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference herein and therein. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are offering to sell the depositary shares and the Preferred Stock only in places where sales are permitted. We are not, and the underwriters are not, making an offer to sell the depositary shares or the Preferred Stock in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference herein or in the accompanying prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase any of the depositary shares or the Preferred Stock and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Cautionary Statement Regarding Forward-Looking Information

We make statements in this prospectus supplement and the accompanying prospectus, and we may from time to time make other statements, regarding our outlook for earnings, revenues, expenses, capital levels and ratios, liquidity levels, asset levels, asset quality, financial position, and other matters regarding or affecting PNC and its future business and operations that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as believe, plan, expect, anticipate, see, look, intend, outlook, project, forecast, estimate, goal, will, should and other similar words and expressions statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

We provide greater detail regarding these as well as other factors in our 2011 Form 10-K, as amended by Amendment No. 1 thereto, in our first and second quarter 2012 Form 10-Qs, filed with the SEC and available on the SEC s website at www.sec.gov, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments and Guarantees Notes of the Notes to Consolidated Financial Statements in those

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reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this prospectus supplement and the accompanying prospectus or in our other filings with the SEC.

Our forward-looking statements are subject to the following principal risks and uncertainties.

Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:

Changes in interest rates and valuations in debt, equity and other financial markets.

Disruptions in the liquidity and other functioning of U.S. and global financial markets.

The impact on financial markets and the economy of any changes in the credit ratings of U.S. Treasury obligations and other U.S. government-backed debt, as well as issues surrounding the level of U.S. and European government debt and concerns regarding the creditworthiness of certain sovereign governments, supranationals and financial institutions in Europe.

Actions by Federal Reserve, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.

Changes in customers , suppliers and other counterparties performance and creditworthiness.

Slowing or failure of the current moderate economic expansion.

Continued effects of aftermath of recessionary conditions and uneven spread of positive impacts of recovery on the economy and our counterparties, including adverse impacts on levels of unemployment, loan utilization rates, delinquencies, defaults and counterparty ability to meet credit and other obligations.

Changes in customer preferences and behavior, whether due to changing business and economic conditions, legislative and regulatory initiatives, or other factors.

Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than we are currently expecting. These statements are based on our current view that the moderate economic expansion will persist in 2012 and interest rates will remain very low.

Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:

Changes resulting from legislative and regulatory reforms, including major reform of the regulatory oversight structure of the financial services industry and changes to laws and regulations involving tax, pension, bankruptcy, consumer protection, and other industry aspects, and changes in accounting policies and principles. We will be impacted by extensive reforms provided for in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and otherwise growing out of the recent financial crisis, the precise nature, extent and timing of which, and their impact on us, remains uncertain.

Changes to regulations governing bank capital and liquidity standards, including due to the Dodd-Frank Act and to Basel-related initiatives.

Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries. In addition to matters relating to PNC s business and activities, such matters may include proceedings, claims, investigations, or inquiries relating to pre-acquisition business and activities of acquired companies, such as National City. These matters may result in monetary judgments or settlements or other remedies, including fines, penalties, restitution or alterations in our business practices, and in additional expenses and collateral costs, and may cause reputational harm to PNC.

Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.

Impact on business and operating results of any costs associated with obtaining rights in intellectual property claimed by others and of adequacy of our intellectual property protection in general.

Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital standards. In particular, our results currently depend on our ability to manage elevated levels of impaired assets.

Business and operating results also include impacts relating to our equity interest in BlackRock, Inc. and rely to a significant extent on information provided to us by BlackRock. Risks and uncertainties that could affect BlackRock are discussed in more detail by BlackRock in its SEC filings.

Our acquisition of RBC Bank (USA) presents us with risks and uncertainties related to the integration of the acquired businesses into PNC, including:

Anticipated benefits of the transaction, including cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.

Our ability to achieve anticipated results from this transaction is dependent also on the extent of credit losses in the acquired loan portfolios and the extent of deposit attrition, in part related to the state of economic and financial markets. Also, litigation and regulatory and other governmental investigations that may be filed or commenced relating to the pre-acquisition business and activities of RBC Bank (USA) could impact the timing or realization of anticipated benefits to PNC.

Integration of RBC Bank (USA) s business and operations into PNC may take longer than anticipated or be substantially more costly than anticipated or have unanticipated adverse results relating to RBC Bank (USA) s or PNC s existing businesses. PNC s ability to integrate RBC Bank (USA) successfully may be adversely affected by the fact that this transaction results in PNC entering several geographic markets where PNC did not previously have any meaningful retail presence.

In addition to the RBC Bank (USA) transaction, we grow our business in part by acquiring from time to time other financial services companies, financial services assets and related deposits and other liabilities. These other acquisitions often present risks and uncertainties analogous to those presented by the RBC Bank (USA) transaction. Acquisition risks include those presented by the nature of the business acquired as well as risks and uncertainties related to the acquisition transactions themselves, regulatory issues, and the integration of the acquired businesses into PNC after closing.

Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Industry restructuring in the current environment could also impact our business and financial performance through changes in counterparty creditworthiness and performance and in the competitive and regulatory landscape. Our ability to anticipate and respond to technological changes can also impact our ability to respond to customer needs and meet competitive demands.

Business and operating results can also be affected by widespread disasters, dislocations, terrorist activities or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically.

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Incorporation of Certain Documents by Reference

The SEC allows us to incorporate information in this document by reference to other documents filed separately with the SEC. This means that PNC can disclose important information to you by referring you to those other documents. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document. You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of the website is *www.sec.gov*. The reports and other information filed by PNC with the SEC are also available at our Internet website, *www.pnc.com*. We have included the web addresses of the SEC and PNC as inactive textual references only. Except as specifically incorporated by reference into this document, information on those websites is not part of this prospectus supplement or the accompanying prospectus.

This document incorporates by reference the documents listed below that we previously filed with the SEC. They contain important information about PNC and its financial condition.

Filing	**Period or date filed**
Annual Report on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A	Year ended December 31, 2011
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2012 and June 30, 2012
Current Reports on Form 8-K	Filed with the SEC on January 6, 2012, February 13, 2012, February 17, 2012, March 5, 2012, March 8, 2012 (with respect to Items 8.01 and 9.01), March 22, 2012, April 10, 2012, April 24, 2012 (with respect to Items 3.03, 5.03, 8.01 and 9.01(other than exhibit 99.1)), April 25, 2012, April 27, 2012, June 21, 2012 and June 28, 2012

In addition, PNC also incorporates by reference additional documents that we file with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), between the date of this document and the date of the termination of the offer being made pursuant to this prospectus supplement. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements. Notwithstanding the foregoing, PNC is not incorporating any document or information that it furnished rather than filed with the SEC.

Any statement contained in a document incorporated by reference, or deemed to be incorporated by reference, in this prospectus supplement or the accompanying prospectus shall be deemed to be modified or superseded for purposes of this prospectus supplement or the accompanying prospectus to the extent that a statement contained in this prospectus supplement or the accompanying prospectus or in any other subsequently filed document which also is incorporated by reference in this prospectus supplement or the accompanying prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

Statements contained in this prospectus supplement or the accompanying prospectus as to the contents of any contract or other document referred to in this prospectus supplement or the accompanying prospectus do not purport to be complete, and where reference is made to the particular provisions of such contract or other document, such provisions are qualified in all respects by reference to all of the provisions of such contract or other document. We will provide without charge to each person to whom a copy of this prospectus supplement and the accompanying prospectus has been delivered, on the written or oral request of such person, a copy of any

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or all of the documents which have been or may be incorporated in this prospectus supplement or the accompanying prospectus by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference in any such documents) and a copy of any or all other contracts or documents which are referred to in this prospectus supplement or the accompanying prospectus. You may request a copy of these filings at the address and telephone number set forth below.

In reviewing any agreements incorporated by reference, please remember they are included to provide you with information regarding the terms of such agreements and are not intended to provide any other factual or disclosure information about PNC. The agreements may contain representations and warranties by PNC or other parties, which should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate. The representations and warranties were made only as of the date of the relevant agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments. Accordingly, these representations and warranties alone may not describe the actual state of affairs as of the date they were made or at any other time.

Documents incorporated by reference are available from PNC without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit into this prospectus supplement or the accompanying prospectus. You can obtain documents incorporated by reference in this prospectus supplement or the accompanying prospectus by requesting them in writing or by telephone at the following address:

The PNC Financial Services Group, Inc.

One PNC Plaza

249 Fifth Avenue

Pittsburgh, Pennsylvania 15222-2707

Attention: Shareholder Services

Telephone: (800) 982-7652

Email: www.computershare.com/contactus

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Summary

The following information about this offering summarizes, and should be read in conjunction with, the information contained in this prospectus supplement and in the accompanying prospectus, and the documents incorporated herein and therein by reference. This summary is not complete and does not contain all of the information that you should consider before investing in the depositary shares. You should pay special attention to the Risk Factors section of this prospectus supplement to determine whether an investment in the depositary shares is appropriate for you.

About The PNC Financial Services Group, Inc.

PNC is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania. PNC has businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking, providing many of its products and services nationally and others in PNC s primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Alabama, Delaware, Georgia, Virginia, Missouri, Wisconsin, and South Carolina. PNC also provides certain products and services internationally. As of June 30, 2012, PNC had total consolidated assets of approximately $299.6 billion, total consolidated deposits of approximately $206.9 billion and total consolidated shareholders equity of approximately $37.0 billion.

PNC was incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, we have diversified our geographical presence, business mix and product capabilities through internal growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries.

PNC common stock is listed on the New York Stock Exchange under the symbol PNC.

PNC is a holding company and services its obligations primarily with dividends and advances that it receives from subsidiaries. PNC s subsidiaries that operate in the banking and securities businesses can pay dividends only if they are in compliance with the applicable regulatory requirements imposed on them by federal and state bank regulatory authorities and securities regulators. PNC s subsidiaries may be party to credit or other agreements that also may restrict their ability to pay dividends. PNC currently believes that none of these regulatory or contractual restrictions on the ability of its subsidiaries to pay dividends will affect PNC s ability to service its own debt or pay dividends on its preferred stock. PNC must also maintain the required capital levels of a bank holding company before it may pay dividends on its stock.

Under the regulations of the Federal Reserve, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of this regulatory policy, the Federal Reserve might require PNC to commit resources to its subsidiary banks, even when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

PNC s principal executive offices are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is 412-762-2000.

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The Offering

The following description contains basic information about the depositary shares, the Preferred Stock and this offering. This description is not complete and does not contain all of the information that you should consider before investing in the depositary shares. For a more complete understanding of the depositary shares and the Preferred Stock, you should read Description of Preferred Stock and Description of Depositary Shares in this prospectus supplement as well as Description of Preferred Stock and Description of Depositary Shares in the accompanying prospectus. To the extent the following information is inconsistent with the information in the accompanying prospectus, you should rely on the following information.

Issuer	The PNC Financial Services Group, Inc.
Securities Offered	depositary shares each representing a 1/4,000th ownership interest in a share of % Non-Cumulative Perpetual Preferred Stock, Series Q, $1.00 par value, with a liquidation preference of $100,000 per share (equivalent to $25.00 per depositary share) of PNC (the Preferred Stock). Each holder of a depositary share will be entitled, through the depositary, in proportion to the applicable fraction of a share of Preferred Stock represented by such depositary share, to all the rights and preferences of the Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).
	We reserve the right to re-open this series of preferred stock and issue additional shares of the Preferred Stock and depositary shares representing the Preferred Stock either through public or private sales at any time and from time to time. The additional shares of Preferred Stock, and the depositary shares representing such Preferred Stock, would form a single series with the shares of Preferred Stock and the depositary shares offered by this prospectus supplement.
	We have granted the underwriters an option to purchase up to an additional depositary shares within 30 days after the date of this prospectus supplement at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any.
Dividends	We will pay dividends on the Preferred Stock, when, as, and if declared by our board of directors or a duly authorized committee of the board. Dividends will accrue and be payable from the date of issuance at a rate of % per annum, payable quarterly, in arrears. See also Dividend Payment Dates on page S-9. Upon the payment of any dividends on the Preferred Stock, holders of depositary shares will receive a related proportionate payment.
	Dividends on the Preferred Stock will not be cumulative. If our board of directors or a duly authorized committee of the board does not declare a dividend on the Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and we will have no obligation to pay any dividend for that dividend period, whether or not our board of directors or a duly authorized committee of our board declares a dividend on the Preferred Stock for any future dividend period.

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Notwithstanding any other provision hereof, dividends on the Series Q Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause PNC to fail to comply with the laws and regulations applicable thereto, including applicable capital adequacy guidelines.

During any dividend period while the Preferred Stock is outstanding, unless, in each case, the full dividends for the preceding dividend period on all outstanding shares of Preferred Stock have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside:

- no dividend will be declared or paid or set aside for payment and no distribution will be declared or made or set aside for payment on any junior stock, other than:
  - a dividend payable solely in junior stock, or
  - any dividend in connection with the implementation of a shareholders rights plan, or the redemption or repurchase of any rights under any such plan;
- no shares of junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by us) other than:
  - as a result of a reclassification of junior stock for or into other junior stock;
  - the exchange or conversion of one share of junior stock for or into another share of junior stock;
  - through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock;
  - purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;
  - purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan, or
  - the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; and

no shares of parity stock shall be repurchased, redeemed or otherwise acquired for consideration by us otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Preferred Stock and such parity stock except by conversion into or exchange for junior stock.

When dividends are not paid in full upon the shares of Preferred Stock and any parity stock, all dividends declared upon shares of

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	Preferred Stock and any parity stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current dividend period per share on the Preferred Stock, and accrued dividends, including any accumulations, on any parity stock, bear to each other.
Dividend Payment Dates	Dividends on the Preferred Stock will be payable when, as, and if declared by our board of directors or a duly authorized committee of our board, quarterly, in arrears, on March 1, June 1, September 1 and December 1 of each year (each a dividend payment date) beginning on December 1, 2012. If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next business day without any adjustment to the amount of dividends paid.
Redemption	The Preferred Stock is perpetual and has no maturity date. We may redeem the Preferred Stock at our option, (i) in whole or in part, from time to time, on any dividend payment date on or after December 1, 2017 at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends, or (ii) in whole but not in part, at any time within 90 days following a regulatory capital treatment event (as defined herein), at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends and any accrued and unpaid dividends (whether or not declared) to the redemption date. If we redeem the Preferred Stock, the depositary will redeem a proportionate number of depositary shares. Neither the holders of Preferred Stock nor holders of depositary shares will have the right to require the redemption or repurchase of the Preferred Stock.
	Any redemption of the Preferred Stock is subject to our receipt of any required prior approval by the Board of Governors of the Federal Reserve System (including any successor bank regulatory authority that may become our appropriate federal banking agency, the Federal Reserve) and to the satisfaction of any conditions set forth in the capital guidelines or regulations of the Federal Reserve applicable to redemption of the Preferred Stock.
Liquidation Rights	In the event we liquidate, dissolve or wind-up our business and affairs, either voluntarily or involuntarily, holders of the Preferred Stock are entitled to receive a liquidating distribution of $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends before we make any distribution of assets to the holders of our common stock or any other class or series of shares of junior stock. Distributions will be made only to the extent of PNC s assets that are available after satisfaction of all liabilities to creditors and subject to the rights of holders of any securities ranking senior to the Preferred Stock and *pro rata* as to the Preferred Stock and any other shares of our stock ranking equally as to such distribution.

Voting Rights	None, except with respect to authorizing or increasing the authorized amount of senior stock, certain changes in the terms of the Preferred Stock and in the case of certain dividend non-payments. See Description of Preferred Stock Voting Rights below. Holders of depositary shares must act through the depositary to exercise any voting rights, as described under Description of Depositary Shares Voting the Preferred Stock below.
Ranking	Shares of the Preferred Stock will rank senior to our common stock, equally with our $1.80 Cumulative Convertible Preferred Stock, Series B (Series B Preferred Stock), Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series K (Series K Preferred Stock), 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L (Series L Preferred Stock); Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O (Series O Preferred Stock), Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P (Series P Preferred Stock), 7.00% Non-Cumulative Preferred Stock, Series H (when issued) (Series H Preferred Stock), Fixed-To-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I (when issued), (Series I Preferred Stock), Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series J (when issued) (Series J Preferred Stock), and Non-Cumulative Perpetual Preferred Stock, Series M (when issued) (Series M Preferred Stock); and at least equally with each other series of our preferred stock we may issue (except for any senior series that may be issued with the requisite consent of the holders of the Preferred Stock and all other parity stock), with respect to the payment of dividends and distributions upon liquidation, dissolution or winding up. See Description of Preferred Stock Other Preferred Stock. We will generally be able to pay dividends and distributions upon liquidation, dissolution or winding up only out of lawfully available assets for such payment after satisfaction of all claims for indebtedness and other non-equity claims.
No Maturity	The Preferred Stock does not have any maturity date, and we are not required to redeem the Preferred Stock. Accordingly, the Preferred Stock will remain outstanding indefinitely, unless and until we decide to redeem it and receive prior approval of the Federal Reserve to do so.
Preemptive and Conversion Rights	None.
Tax Consequences	For discussion of the tax consequences relating to the Preferred Stock and the depositary shares, see Certain U.S. Federal Income Tax Considerations in this prospectus supplement.
Use of Proceeds	We estimate that the net proceeds of this offering will be approximately $ (or approximately $ if the underwriters exercise in full their over-allotment option to purchase additional depositary shares) after deducting underwriting commissions and

offering expenses. We expect to use the net proceeds from the sale of our depositary shares for general corporate purposes, which may include: advances to our subsidiaries to finance their activities, repayment of outstanding indebtedness, and repurchases and redemptions of issued and outstanding securities of PNC and its subsidiaries. The precise amounts and timing of our use of the net proceeds will depend upon our and our subsidiaries funding requirements and the availability of other funds. Pending our use of the net proceeds from this offering as described above, we will use the net proceeds to reduce our short-term indebtedness or for temporary investments.

Risk Factors

Please refer to Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before deciding to invest in the depositary shares.

Listing

We intend to apply to list the depositary shares on the New York Stock Exchange under the symbol PNCPRQ . If the application is approved, trading of the depositary shares on the New York Stock Exchange is expected to commence within 30 days after they are first issued.

Depositary, Transfer Agent & Registrar

Computershare Trust Company, N.A.

Conflicts of Interest

Our affiliate, PNC Capital Markets LLC, is a member of the Financial Industry Regulatory Authority (FINRA) and is participating in the distribution of the depositary shares. The distribution arrangements for this offering comply with the requirements of FINRA Rule 5121 regarding a FINRA member firm s participation in the distribution of securities of an affiliate. In accordance with Rule 5121, no FINRA member firm may make sales in this offering to any discretionary account without the prior approval of the customer. Our affiliates, including PNC Capital Markets LLC and other affiliates may use this prospectus supplement and the accompanying prospectus in connection with offers and sales of the depositary shares in the secondary market. These affiliates may act as principal or agent in those transactions. Secondary market sales will be made at prices related to market prices at the time of sale.

Affiliates of J.P. Morgan Securities LLC beneficially own ten percent or more of our outstanding preferred equity. Any underwriter, along with its affiliates, that beneficially owns ten percent or more of our outstanding preferred equity is considered by FINRA to have a conflict of interest with us in regard to this offering. Accordingly, J.P. Morgan Securities LLC has a conflict of interest within the meaning of FINRA Rule 5121. Because this offering is being made in compliance with the requirements of FINRA Rule 5121, a qualified independent underwriter is not required.

Risk Factors

Your investment in the depositary shares involves risks. This prospectus supplement does not describe all of those risks. Before purchasing any of the depositary shares, you should carefully consider the following risk factors, which are specific to the depositary shares being offered, as well as the risks and other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the discussion under Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, as amended by Amendment No. 1 on Form 10-K/A, as such discussion may be amended or updated in other reports filed by us with the SEC.

You are making an investment decision about both the depositary shares and the Preferred Stock.

As described in this prospectus supplement, we are issuing depositary shares representing fractional interests in shares of Preferred Stock. The depositary will rely solely on the payments it receives on the Preferred Stock to fund all payments on the depositary shares. You should carefully review the information in this prospectus supplement and the accompanying prospectus regarding both of these securities.

Our ability to pay dividends on the Preferred Stock may be limited by federal regulatory considerations.

As a bank holding company, PNC s ability to declare and pay dividends is primarily dependent on the receipt of dividends and other distributions from our subsidiaries. The principal source of our liquidity at the parent company level is dividends from PNC Bank, N.A., which is subject to various statutory and regulatory limitations on the ability to pay dividends or make other capital distributions. The amount available for dividend payments by PNC Bank, N.A. to the parent company without prior regulatory approval was approximately $1.3 billion at June 30, 2012.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) requires federal banking agencies to establish more stringent risk-based capital requirements and leverage limits applicable to banks and bank holding companies, and especially those institutions with consolidated assets equal to or greater than $50 billion. In June 2012, the Federal Reserve, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency issued three notices of proposed rulemaking, including a joint notice of proposed rulemaking (the June NPR), addressing, among other matters, Section 171 of the Dodd-Frank Act and the agreement reached with the Basel Committee on Banking Supervision (Basel III). The June NPR set forth the proposed criteria for qualifying additional Tier 1 capital instruments consistent with Basel III, including the requirement that any dividends on such instruments only be paid out of the banking organization s net income and retained earnings. Until the final rules are issued, we cannot predict the June NPR s actual effect on us. These requirements, and any other new regulations or capital distribution constraints, could adversely affect our ability to pay dividends on the Preferred Stock and therefore your ability to receive distributions on the depositary shares.

The Preferred Stock is equity and is subordinate to our existing and future indebtedness.

The shares of Preferred Stock are equity interests in PNC and do not constitute indebtedness. This means that the depositary shares, which represent proportional fractional interests in the shares of Preferred Stock, will rank junior to all indebtedness and other non-equity claims on PNC with respect to assets available to satisfy claims on PNC, including in a liquidation of PNC. Our existing and future indebtedness may restrict payment of dividends on the Preferred Stock.

Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of preferred stock like the Preferred Stock, (1) dividends are payable only if declared by our board of directors or a duly authorized committee of the board, (2) dividends do not cumulate if they are not declared and (3) as a corporation, we are subject to restrictions on payments of dividends and redemption price out of lawfully available funds. Further, the Preferred Stock places no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the limited voting rights referred to below under Description of Preferred Stock Voting Rights.

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Dividends on the Preferred Stock are discretionary and non-cumulative.

Dividends on the Preferred Stock are discretionary and will not be cumulative. If our board of directors or a duly authorized committee of the board does not declare a dividend on the Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable

dividend payment date or be cumulative, and we will have no obligation to pay any dividend for that dividend period, whether or not our board of directors or a duly authorized committee of our board declares a dividend on the Preferred Stock for any future dividend period.

Investors should not expect PNC to redeem the Preferred Stock on the date it becomes redeemable or on any particular date after it becomes redeemable.

The Preferred Stock is a perpetual equity security. This means that the Preferred Stock has no maturity or mandatory redemption date and is not redeemable at the option of investors, including the holders of the depositary shares offered by this prospectus supplement. The Preferred Stock may be redeemed by us at our option, (i) either in whole or in part, on any dividend payment date on or after December 1, 2017, or (ii) in whole but not in part, at any time within 90 days following a regulatory capital treatment event. Our right to redeem the Preferred Stock is subject to an important limitation. Under the Federal Reserve s current risk-based capital guidelines applicable to bank holding companies, any redemption of the Preferred Stock is subject to prior approval by the Federal Reserve. We cannot assure you that the Federal Reserve will approve any redemption of the Preferred Stock that we may propose.

We may be able to redeem the Preferred Stock before December 1, 2017.

In addition to our ability to redeem the Preferred Stock on any dividend payment date on or after December 1, 2017, we may redeem the Preferred Stock at any time after it is issued upon the occurrence of certain events involving the capital treatment of the Preferred Stock if we determine in good faith that a Regulatory Capital Treatment Event, has occurred. This redemption would be subject to the prior approval of the Federal Reserve. See Description of Preferred Stock Redemption Redemption Following a Regulatory Capital Treatment Event.

It is possible that the Preferred Stock may not satisfy the proposed criteria for tier 1 capital instruments consistent with Basel III as set forth in the June NPR. As a result, in addition to other circumstances that may constitute a Regulatory Capital Treatment Event, if the Federal Reserve revises and replaces its current capital rules with the proposed risk-based and leverage capital requirements set forth in the June NPR, a Regulatory Capital Treatment Event could occur whereby we would have the right, subject to prior approval of the appropriate federal banking agency, to redeem the Preferred Stock in accordance with its terms prior to December 1, 2017 at a redemption price equal to $100,000 per share (equivalent to $25 per depositary share), plus any declared and unpaid dividends and any accrued and unpaid dividends (whether or not declared).

If we are deferring payments on our outstanding junior subordinated debt securities, if we are in default under the indentures governing those securities, or if full dividends are not paid on certain issues of our REIT preferred securities, we will be prohibited from making distributions on or redeeming the Preferred Stock.

The terms of our outstanding junior subordinated debt securities and certain issues of our REIT preferred securities prohibit us from declaring or paying any dividends or distributions on the Preferred Stock, or redeeming, purchasing, acquiring or making a liquidation payment with respect to the Preferred Stock, if we are aware of any event that would be an event of default under the indenture governing those junior subordinated debt securities, at any time when we have deferred interest thereunder or at any time full dividends have not been paid on our REIT preferred securities or parity stock.

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Additionally, when dividends are not paid in full upon the shares of the Preferred Stock and any parity stock, all dividends declared upon shares of the Preferred Stock and any parity stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current dividend period per share on the Preferred Stock, and accrued dividends, including any accumulations, on any parity stock, bear to each other. Therefore, if we are not paying full dividends on any outstanding parity stock, we will not be able to pay full dividends on the Preferred Stock.

Holders of the Preferred Stock and the depositary shares will have limited voting rights.

Holders of the Preferred Stock have no voting rights with respect to matters that generally require the approval of voting shareholders. Holders of the Preferred Stock will have limited voting rights in the event of non-payments of dividends under certain circumstances and with respect to certain fundamental changes in the terms of the Preferred Stock, certain other matters or as otherwise required by law, as described under Description of Preferred Stock Voting Rights. Holders of depositary shares would instruct the depositary how to vote the shares of Preferred Stock in such circumstances based, in the case of each holder of depositary shares, on the proportional rights in the Preferred Stock represented by such holder s depositary shares.

General market conditions and unpredictable factors could adversely affect market prices for the depositary shares.

There can be no assurance about the market prices for the depositary shares. Several factors, many of which are beyond our control, will influence the market prices of the depositary shares. Factors that might influence the market prices of the depositary shares include:

- whether we declare or fail to declare dividends on the Preferred Stock from time to time;
- our creditworthiness;
- interest rates;
- developments in the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing and developments with respect to financial institutions generally;
- the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

Accordingly, the depositary shares that an investor purchases, whether in this offering or in the secondary market, may trade at a discount to their purchase price.

Our ability to pay dividends depends upon the results of operations of our subsidiaries.

We are a holding company and conduct substantially all of our operations through subsidiaries. As a result, our ability to make dividend payments on the Preferred Stock will depend primarily upon the receipt of dividends and other distributions from our subsidiaries. Various legal limitations restrict the extent to which our subsidiaries may extend credit, pay dividends or other funds or otherwise engage in transactions with us or some of our other subsidiaries.

In addition, our right to participate in any distribution of assets from any subsidiary, upon the subsidiary s liquidation or otherwise, is subject to the prior claims of creditors of that subsidiary, except to the extent that we are recognized as a creditor of that subsidiary. As a result, the Preferred Stock will be effectively subordinated to all existing and future liabilities of our subsidiaries.

Under the regulations of the Federal Reserve, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of this regulatory policy, the Federal Reserve might require PNC to commit resources to its subsidiary banks, even when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

We cannot assure you that a liquid trading market for the depositary shares will develop.

The depositary shares are a new issue of securities with no established trading market. We intend to apply to list the depositary shares on the New York Stock Exchange. While we expect trading of the depositary shares on the New York Stock Exchange to begin within a 30-day period after the initial issuance of the depositary shares, there is no guarantee that we will be able to list the depositary shares. Even if the depositary shares are listed, there may be little or no secondary market for the depositary shares and such market may not provide sufficient liquidity. Because the depositary shares do not have a stated maturity date, investors seeking liquidity will need to rely on the secondary market. We cannot assure you that a liquid trading market for the depositary shares will develop, that you will be able to sell your depositary shares at a particular time or that the price you receive when you sell will be favorable. We do not expect that there will be any separate public trading market for the shares of the Preferred Stock except as represented by the depositary shares.

Holders of Preferred Stock may be unable to use the dividends received deduction.

Distributions paid to corporate U.S. holders of the depositary shares out of dividends on the Preferred Stock may be eligible for the dividends received deduction if we have current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Although we presently have accumulated earnings and profits, we may not have sufficient current or accumulated earnings and profits during future fiscal years for the distributions on the Preferred Stock to qualify, in whole or in part, as dividends for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations. If any distributions on the Preferred Stock with respect to any fiscal year are not eligible for the dividends received deduction because of insufficient current or accumulated earnings and profits, the market value of the Preferred Stock may decline.

Consolidated Ratio of Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends

The table below sets forth PNC s consolidated ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends for the periods presented.

	Six months ended June 30		Year Ended December 31				
	2012	2011	2011	2010	2009	2008	2007
Ratio of Earnings to Fixed Charges*							
Excluding interest on deposits	4.25x	5.26x	5.03x	4.39x	3.28x	1.96x	2.35x
Including interest on deposits	3.31	3.48	3.37	2.80	2.01	1.39	1.50
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends*							
Excluding interest on deposits	3.51x	4.85x	4.61x	3.64x	2.29x	1.90x	2.35x
Including interest on deposits	2.88	3.32	3.20	2.52	1.69	1.37	1.50

* Earnings is computed as pretax income from continuing operations before adjustment for noncontrolling interests in consolidated subsidiaries or income or loss from equity investees, plus distributed income of equity investees, plus fixed charges excluding interest on deposits, minus noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges, minus interest capitalized, minus interest on deposits.

Fixed charges is computed as interest on borrowed funds, plus the interest component of rentals, plus amortization of notes and debentures, plus interest capitalized, plus interest on deposits.

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Use of Proceeds

We estimate that the net proceeds of this offering will be approximately $ (or approximately $ if the underwriters exercise in full their over-allotment option to purchase additional depositary shares), based on the public offering price of $ per depositary share, after deducting underwriting commissions and expenses. We expect to use the net proceeds from the sale of our depositary shares for general corporate purposes, which may include: advances to our subsidiaries to finance their activities, repayment of outstanding indebtedness, and repurchases and redemptions of issued and outstanding securities of PNC and its subsidiaries. The precise amounts and timing of our use of the net proceeds will depend upon our and our subsidiaries funding requirements and the availability of other funds. Pending our use of the net proceeds from this offering as described above, we will use the net proceeds to reduce our short-term indebtedness or for temporary investments.

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Description of Preferred Stock

General

The Preferred Stock is a single series of our authorized preferred stock. We are offering depositary shares, representing shares of the Preferred Stock (or depositary shares, representing shares of the Preferred Stock if the underwriters exercise their over-allotment option to purchase additional depositary shares in full) in the aggregate by this prospectus supplement and the accompanying prospectus. Shares of the Preferred Stock, upon issuance against full payment of the purchase price for the depositary shares, will be fully paid and nonassessable. The depositary will be the sole holder of shares of the Preferred Stock. The holders of depositary shares will be required to exercise their proportional rights in the Preferred Stock through the depositary, as described in Description of Depositary Shares in this prospectus supplement.

Shares of the Preferred Stock will rank senior to our common stock, equally with our Series B Preferred Stock, Series H Preferred Stock (when issued), Series I Preferred Stock (when issued), Series J Preferred Stock (when issued), Series K Preferred Stock, Series L Preferred Stock, Series M Preferred Stock (when issued), Series O Preferred Stock and Series P Preferred Stock and at least equally with each other series of our preferred stock we may issue (except for any senior stock that may be issued with the requisite consent of the holders of the Preferred Stock and all other parity stock), with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up. See Other Preferred Stock below. In addition, we will generally be able to pay dividends and distributions upon liquidation, dissolution or winding up only out of lawfully available assets for such payment (after satisfaction of all claims for indebtedness and other non-equity claims).

The Preferred Stock will not be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of PNC. The Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of PNC to redeem or repurchase the Preferred Stock.

We reserve the right to re-open this series and issue additional shares of the Preferred Stock either through public or private sales at any time and from time to time. The additional shares would form a single series with the shares of Preferred Stock offered by this prospectus supplement.

Dividends

Dividends on the Preferred Stock will not be cumulative. If our board of directors or a duly authorized committee of the board does not declare a dividend on the Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and we will have no obligation to pay any dividend for that dividend period, whether or not our board of directors or a duly authorized committee of our board declares a dividend on the Preferred Stock for any future dividend period. Holders of Preferred Stock will be entitled to receive, when, as, and if declared by our board of directors or a duly authorized committee of the board, out of assets legally available for the payment of dividends under Pennsylvania law, non-cumulative cash dividends based on the liquidation preference of the Preferred Stock at a rate equal to % per annum for each quarterly dividend period from the issue date of the depositary through the redemption date of the Preferred Stock, if any. In the event that we issue additional shares of Preferred Stock after the original issue date, dividends on such shares will accrue from the original issue date of such additional shares.

If declared by our board of directors or a duly authorized committee of our board, we will pay dividends on the Preferred Stock quarterly, in arrears, on March 1, June 1, September 1 and December 1 of each year, each such date referred to as a dividend payment date, beginning on December 1, 2012. If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next business day without any adjustment to the amount of dividends paid. A business day means any weekday that is not a legal holiday in New York, New York and is not a day on which banking institutions in New York, New York, or Pittsburgh, Pennsylvania are closed.

Dividends will be payable to holders of record of Preferred Stock as they appear on our stock register on the applicable record date, which shall be the 15^{th} calendar day before the applicable dividend payment date, or such other record date, not exceeding 30 days before the applicable payment date, as shall be fixed by our board of directors or a duly authorized committee of our board. The corresponding record dates for the depositary shares will be the same as the record dates for the Preferred Stock.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date, except that the initial dividend period will commence on and include the original issue date of the Preferred Stock. Dividends payable on the Preferred Stock will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Preferred Stock will cease to accrue on the redemption date, if any, as described below under Redemption, unless we default in the payment of the redemption price of the shares of the Preferred Stock called for redemption.

Notwithstanding any other provision hereof, dividends on the Series Q Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause PNC to fail to comply with the laws and regulations applicable thereto, including applicable capital adequacy guidelines.

So long as any share of Preferred Stock remains outstanding, (1) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock or (ii) any dividend in connection with the implementation of a shareholders rights plan, or the redemption or repurchase of any rights under any such plan), (2) no shares of junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of one share of junior stock for or into another share of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan or (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged) nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by us and (3) no shares of parity stock shall be repurchased, redeemed or otherwise acquired for consideration by us otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Preferred Stock and such parity stock except by conversion into or exchange for junior stock, during a dividend period, unless, in each case, the full dividends for the preceding dividend period on all outstanding shares of the Preferred Stock have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside.

When dividends are not paid in full upon the shares of the Preferred Stock and any parity stock, all dividends declared upon shares of the Preferred Stock and any parity stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current dividend period per share on the Preferred Stock, and accrued dividends, including any accumulations, on any parity stock, bear to each other.

As used in this prospectus supplement, junior stock means our common stock and any other class or series of stock of PNC hereafter authorized over which the Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of PNC.

As used in this prospectus supplement, parity stock means any other class or series of stock of PNC that ranks on a parity with the Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of PNC. Parity stock includes Series B Preferred Stock, Series K Preferred

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Stock, Series L Preferred Stock, Series O Preferred Stock and Series P Preferred Stock and would include Series H Preferred Stock, Series I Preferred Stock, Series J Preferred Stock and Series M Preferred Stock, if issued.

As used in this prospectus supplement, senior stock means any other class or series of stock of PNC ranking senior to the Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of PNC.

Subject to the considerations described above, and not otherwise, dividends (payable in cash, stock or otherwise), as may be determined by our board of directors or a duly authorized committee of the board, may be declared and paid on our common stock and any other stock ranking equally with or junior to the Preferred Stock from time to time out of any assets legally available for such payment, and the holders of Preferred Stock shall not be entitled to participate in any such dividend.

Redemption

Optional Redemption. The Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. We may redeem the Preferred Stock at our option, in whole or in part, from time to time, on any dividend payment date on or after December 1, 2017, at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Neither the holders of Preferred Stock nor holders of depositary shares will have the right to require the redemption or repurchase of the Preferred Stock.

Redemption Following a Regulatory Capital Treatment Event. We may redeem shares of the Preferred Stock at any time within 90 days following a regulatory capital treatment event, in whole but not part, at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends and any accrued and unpaid dividends (whether or not declared) on the shares of Preferred Stock called for redemption up to the redemption date. A regulatory capital treatment event means the good faith determination by PNC that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Preferred Stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Preferred Stock, there is more than an insubstantial risk that PNC will not be entitled to treat the full liquidation value of the shares of Preferred Stock then outstanding as Tier 1 Capital (or its equivalent) for purposes of the capital adequacy guidelines of Federal Reserve Regulation Y (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Preferred Stock is outstanding. Redemption of the Preferred Stock is subject to our receipt of any required prior approvals from the Federal Reserve and to the satisfaction of any conditions set forth in the capital guidelines of the Federal Reserve applicable to the redemption of the Preferred Stock.

Redemption Procedures. If shares of the Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Preferred Stock to be redeemed, mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the depositary shares representing the Preferred Stock are held in book-entry form through The Depository Trust Company (DTC) we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of the Preferred Stock to be redeemed and, if less than all the shares held by the holder are to be redeemed, the number of shares of Preferred Stock to be redeemed from the holder;
- the redemption price;

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the place or places where the certificates evidencing shares of Preferred Stock are to be surrendered for payment of the redemption price; and

that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Preferred Stock, such shares of Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price plus any declared and unpaid dividends, and in the case of a Regulatory Capital Treatment Event plus accrued and unpaid dividends (whether or not declared). See Description of Depositary Shares below for information about redemption of the depositary shares relating to the Preferred Stock.

In case of any redemption of only part of the shares of the Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata*, by lot or in such other manner as we may determine to be equitable. Subject to the provisions hereof, our board of directors shall have full power and authority to prescribe the terms and conditions upon which shares of Preferred Stock shall be redeemed from time to time.

Under the Federal Reserve s current risk-based capital guidelines applicable to bank holding companies, any redemption of the Preferred Stock is subject to prior approval by the Federal Reserve. See Risk Factors Investors should not expect PNC to redeem the Preferred Stock on the date it becomes redeemable or on any particular date after it becomes redeemable in this prospectus supplement. Any redemption of the Preferred Stock is subject to our receipt of any required prior approval by the Federal Reserve and to the satisfaction of any conditions set forth in the capital guidelines or regulations of the Federal Reserve applicable to redemption of the Preferred Stock.

Liquidation Rights

In the event we liquidate, dissolve or wind-up our business and affairs, either voluntarily or involuntarily, holders of the Preferred Stock are entitled to receive a liquidating distribution of $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends, after satisfaction of liabilities of creditors and subject to the rights of holders of any securities ranking senior to the Preferred Stock before we make any distribution of assets to the holders of our common stock or any other class or series of shares ranking junior to the Preferred Stock. Holders of the Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidating distribution. In addition, the Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation or similar proceeding, including a proceeding under the orderly liquidation authority provisions of the Dodd Frank Act.

In any such distribution, if the assets of PNC are not sufficient to pay the liquidation preferences plus declared and unpaid dividends in full to all holders of the Preferred Stock and all holders of parity stock as to such distribution with the Preferred Stock, the amounts paid to the holders of Preferred Stock and any parity stock will be paid *pro rata* in accordance with the respective aggregate liquidating distribution owed to those holders. If the liquidation preference plus declared and unpaid dividends has been paid in full to all holders of Preferred Stock and any parity stock, the holders of our junior stock shall be entitled to receive all remaining assets of PNC according to their respective rights and preferences.

For purposes of this section, the merger or consolidation of PNC with any other entity, including a merger or consolidation in which the holders of Preferred Stock receive cash, securities or property for their shares, or the sale, lease or exchange of all or substantially all of the assets of PNC for cash, securities or other property, shall not constitute a liquidation, dissolution or winding up of PNC.

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Because we are a holding company, our rights and the rights of our creditors and our shareholders, including the holders of the Preferred Stock, to participate in the assets of any of our subsidiaries upon that subsidiary s liquidation or recapitalization may be subject to the prior claims of that subsidiary s creditors, except to the extent that we are a creditor with recognized claims against the subsidiary.

Voting Rights

Except as provided below, the holders of the Preferred Stock will have no voting rights.

Right to Elect Two Directors upon Nonpayment. If we fail to pay, or declare and set apart for payment, dividends on outstanding shares of the Preferred Stock or any other series of preferred stock for six quarterly dividend periods, or their equivalent, whether or not consecutive, the number of directors of PNC shall be increased by two at our first annual meeting of the shareholders held thereafter, and at such meeting and at each subsequent annual meeting until cumulative dividends payable for all past dividend periods and continuous noncumulative dividends for at least one year on all outstanding shares of preferred stock entitled thereto shall have been paid, or declared and set apart for payment, in full, the holders of shares of the Preferred Stock shall have the right, voting as a class with holders of any other equally ranked series of preferred stock that have similar voting rights, to elect such two additional members of the board of directors to hold office for a term of one year. Upon such payment, or such declaration and setting apart for payment, in full, the terms of the two additional directors so elected shall forthwith terminate, and the number of directors of PNC shall be reduced by two, and such voting right of the holders of shares of preferred stock shall cease, subject to increase in the number of directors as described above and to revesting of such voting right in the event of each and every additional failure in the payment of dividends for six quarterly dividend periods, or their equivalent, whether or not consecutive, as described above.

If the holders of the Preferred Stock become entitled to vote for the election of directors, the Preferred Stock may be considered a class of voting securities under interpretations adopted by the Federal Reserve. As a result, certain holders of the Preferred Stock may become subject to regulations under the Bank Holding Company Act. For further discussion of the regulations of the Federal Reserve Board, see Description of Preferred Stock General of the accompanying prospectus.

Other Voting Rights. So long as any shares of the Preferred Stock remain outstanding the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the Preferred Stock, voting separately as a class, shall be required to:

- authorize or increase the authorized amount of, or issue shares of any class or series of senior stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares;

- amend the provisions of PNC s Amended and Restated Articles of Incorporation so as to adversely affect the powers, preferences, privileges or rights of the Preferred Stock, taken as a whole;

  provided, however, that any increase in the amount of the authorized or issued Preferred Stock or authorized common stock or preferred stock or the creation and issuance, or an increase in the authorized or issued amount, of other series of preferred stock ranking equally with or junior to the Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) or the distribution of assets upon liquidation, dissolution or winding up of PNC will not be deemed to adversely affect the powers, preferences, privileges or rights of the Preferred Stock; or

- consolidate with or merge into any other corporation unless the shares of Preferred Stock outstanding at the time of such consolidation or merger or sale are converted into or exchanged for preference securities having such rights, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Preferred Stock, taken as a whole.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of the Preferred Stock to effect such redemption.

Voting Rights Under Pennsylvania Law. The Pennsylvania Business Corporation Law attaches mandatory voting rights to the Preferred Stock in connection with certain amendments to our Amended and Restated Articles of Incorporation, under which the affirmative vote of a majority of the votes cast by the holders of the Preferred Stock would be required if the amendment would:

- authorize the board of directors to fix and determine the relative rights and preferences, as between series, of any preferred or special class;
- make any changes in the preferences, limitations or special rights (other than preemptive rights or the rights to vote cumulatively) of the shares of a class or series adverse to the class or series;
- authorize a new class or series of shares having a preference as to dividends or assets which is senior to the shares of a class or series;
- increase the number of authorized shares of any class or series having a preference as to dividends or assets which is senior in any respect to the shares of a class or series; or
- make the outstanding shares of a class or series redeemable by a method that is not *pro rata*, by lot or otherwise equitable.

Holders of outstanding shares of Preferred Stock are also entitled under Pennsylvania law to vote as a class on a plan of merger that effects any change in our Amended and Restated Articles of Incorporation if the holders would have been entitled to a class vote under the statutory provision relating to the adoption of articles amendments discussed above.

Preemptive and Conversion Rights

The holders of the Preferred Stock do not have any preemptive or conversion rights.

Other Preferred Stock

Our authorized capital stock includes 20,000,000 shares of preferred stock, par value $1.00 per share as reflected in our Amended and Restated Articles of Incorporation. Our board of directors is authorized without further shareholder action to cause the issuance of additional shares of preferred stock. Any additional preferred stock may be issued in one or more series, each with preferences, limitations, designations, conversion or exchange rights, voting rights, dividend rights, redemption provisions, voluntary and involuntary liquidation rights and other rights as the our board of directors may determine at the time of issuance.

As of the date of this prospectus supplement we have five outstanding series of preferred stock, with the following amounts outstanding as of August 31, 2012:

- 867 shares of $1.80 Cumulative Convertible Preferred Stock, Series B, with a per share liquidation preference of $40;
- 50,000 shares of Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series K, with a per share liquidation preference of $10,000;

1,500 shares of 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L, with a per share liquidation preference of $100,000;

10,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O, with a per share liquidation preference of $100,000; and

15,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P, with a per share liquidation preference of $100,000.

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As of the date of this prospectus supplement, the following series of preferred stock were authorized for issuance upon the occurrence of certain events:

- 7,500 shares of 7% Non-Cumulative Preferred Stock, Series H, with a per share liquidation preference of $100,000 (may be issued in connection with certain events related to our REIT Preferred Securities);
- 5,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I, with a per share liquidation preference of $100,000 (may be issued in connection with certain events related to our REIT Preferred Securities);
- 3,750 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series J, with a per share liquidation preference of $100,000 (may be issued in connection with certain events related to our REIT Preferred Securities); and
- 5,751 shares of Non-Cumulative Perpetual Preferred Stock, Series M, with a per share liquidation preference of $100,000 (expected to be issued in connection with one of our Trust Preferred Securities).

As of the date of this prospectus supplement the following previously authorized and issued preferred stock has been redeemed and is no longer outstanding:

- $1.80 Cumulative Convertible Preferred Stock, Series A
- $1.60 Cumulative Convertible Preferred Stock, Series C
- $1.80 Cumulative Convertible Preferred Stock, Series D
- $2.60 Cumulative Nonvoting Preferred Stock, Series E
- Fixed/Adjustable Rate Noncumulative Preferred Stock, Series F

Please see the accompanying prospectus for additional information regarding these series of preferred stock. As discussed above, all of the above series of preferred stock are parity stock ranking equally with the Preferred Stock in the payment of dividends and the liquidation of PNC.

Additionally, the Junior Participating Preferred Stock, Series G authorized in connection with our rights plan, which expired on February 28, 2007, was never issued and is not outstanding.

Depositary, Transfer Agent and Registrar

Computershare Trust Company, N.A. will be the depositary, transfer agent and registrar for the Preferred Stock.

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Description of Depositary Shares

We are issuing depositary shares representing proportional fractional interests in shares of the Preferred Stock. Each depositary share represents a 1/4,000th interest in a share of the Preferred Stock, and will be evidenced by depositary receipts. We will deposit the underlying shares of the Preferred Stock with a depositary pursuant to a deposit agreement among us, Computershare Trust Company N.A., acting as depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the deposit agreement, each holder of a depositary share will be entitled, through the depositary, in proportion to the applicable fraction of a share of Preferred Stock represented by such depositary share, to all the rights and preferences of the Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

In this prospectus supplement, references to holders of depositary shares mean those who own depositary shares registered in their own names, on the books that we or the depositary maintain for this purpose, and not indirect holders who own beneficial interests in depositary shares registered in street name or issued in book-entry form through DTC. Please review the special considerations that apply to indirect holders described in the Book-Entry Issuance section of this prospectus supplement.

Immediately following the issuance of the Preferred Stock, we will deposit the Preferred Stock with the depositary, which will then issue the depositary shares to the underwriters. Copies of the forms of deposit agreement and the depositary receipt may be obtained from us upon request and in the manner described in the Incorporation of Certain Documents by Reference section of this prospectus supplement.

If we re-open the series and issue additional shares of Preferred Stock, we would issue additional depositary shares representing such Preferred Stock. The additional depositary shares would form a single series with the depositary shares offered hereby.

Dividends and Other Distributions

Each dividend payable on a depositary share will be in an amount equal to 1/4,000th of the dividend declared and payable on the related share of the Preferred Stock.

The depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Preferred Stock to the record holders of depositary shares relating to the underlying Preferred Stock in proportion to the number of depositary shares held by the holders. If PNC makes a distribution other than in cash, the depositary will distribute any property received by it to the record holders of depositary shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the depositary shares in proportion to the number of depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares will be the same as the corresponding record dates for the Preferred Stock.

The amounts distributed to holders of depositary shares will be reduced by any amounts required to be withheld by the depositary or by us on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any depositary shares or the shares of the Preferred Stock until such taxes or other governmental charges are paid.

Redemption of Depositary Shares

If we redeem the Preferred Stock represented by the depositary shares, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption of the Preferred Stock held by the depositary. The redemption price per depositary share will be equal to 1/4,000th of the redemption price per share payable with respect to the Preferred Stock (or $25.00 per depositary share), plus (i) any declared and unpaid dividends, without accumulation of any undeclared dividends, or (ii) in the case of a regulatory capital treatment event, plus any declared and unpaid dividends and any accrued and unpaid dividends (whether or not declared).

Whenever we redeem shares of Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing the shares of Preferred Stock so redeemed. If fewer than all of the outstanding depositary shares are redeemed, the depositary will select the depositary shares to be redeemed *pro rata*, by lot or in such other manner determined by the depositary to be equitable. The depositary will mail notice of redemption to record holders of the depositary receipts not less than 30 and not more than 60 days prior to the date fixed for redemption of the Preferred Stock and the related depositary shares.

Voting the Preferred Stock

Because each depositary share represents a 1/4,000th interest in a share of the Preferred Stock, holders of depositary receipts will be entitled to 1/4,000th of a vote per depositary share under those limited circumstances in which holders of the Preferred Stock are entitled to a vote.

When the depositary receives notice of any meeting at which the holders of the Preferred Stock are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the depositary shares relating to the Preferred Stock. Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Preferred Stock, may instruct the depositary to vote the amount of the Preferred Stock represented by the holder s depositary shares. To the extent possible, the depositary will vote the amount of the Preferred Stock represented by depositary shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any depositary shares representing the Preferred Stock, it will not vote the amount of the Preferred Stock represented by such depositary shares.

Listing

We intend to apply to list the depositary shares on the New York Stock Exchange under the symbol PNCPRQ . If the application is approved, trading of the depositary shares on the New York Stock Exchange is expected to commence within 30 days after they are first issued.

Depositary, Transfer Agent and Registrar

Computershare Trust Company, N.A. will be the depositary, transfer agent and registrar for the depositary shares.

Form of Preferred Stock and Depositary Shares

The depositary shares shall be issued in book-entry form through DTC, as described in Book-Entry Issuance in this prospectus supplement. The Preferred Stock will be issued in registered form to the depositary.

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Book-Entry Issuance

We will issue the depositary shares under a book-entry system in the form of one or more global depositary receipts. We will register the global depositary receipts in the name of CEDE & Co., as a nominee for The Depository Trust Company, New York, New York (DTC), or such other name as may be requested by an authorized representative of DTC and deposit the global depositary receipts with the depositary.

Following the issuance of the depositary shares in book-entry only form, DTC will credit the accounts of its participants with the depositary shares upon our instructions. In order to own a beneficial interest in a depositary receipt, you must be an organization that participates in DTC or have an account with an organization that participates in DTC, including Euroclear and Clearstream. Clearstream and Euroclear will hold interests on behalf of their participants through customers securities accounts in Clearstream and Euroclear s names on the books of their U.S. depositaries, which in turn will hold such interests in customers securities accounts in U.S. depositaries names on the books of DTC.

As long as DTC or its nominee is the registered owner of the global depositary receipts, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the global depositary receipts and all depositary shares represented by these depositary receipts for all purposes under the instruments governing the rights and obligations of holders of depositary shares. Except in the limited circumstances referred to above, owners of beneficial interests in global depositary receipts:

- Will not be entitled to have such global depositary receipts or the depositary shares represented by these receipts registered in their names;

- Will not receive or be entitled to receive physical delivery of depositary receipts in exchange for beneficial interests in the global depositary receipts; and

- Will not be considered to be owners or holders of the global depositary receipts or the depositary shares represented by these receipts for any purpose under the instruments governing the rights and obligations of holders of depositary shares.

Accordingly, each person owning a beneficial interest in the depositary receipts must rely on the procedures of DTC and, if that person is not a participant, on the procedures of the participant through which that person owns its beneficial interest, in order to exercise any rights of a holder of depositary shares.

As long as the depositary shares are represented by the global depositary receipts, we will pay dividends on the Preferred Stock represented by the depositary shares to or as directed by DTC as the registered holder of the global depositary receipts. Payments to DTC will be in immediately available funds by wire transfer. DTC will credit the relevant accounts of their participants on the applicable date. Neither we nor PNC Bank or our agent will be responsible for making any payments to participants or customers of participants or for maintaining any records relating to the holdings of participants and their customers, and you will have to rely on the procedures of DTC and its participants.

If we discontinue the book-entry only form system of registration, we will replace the global depositary receipt with depositary receipts.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC s participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants accounts. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *http://www.dtcc.com* and *http://www.dtc.org*.

Clearstream has advised us that it is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry transfers between their accounts. Clearstream provides its participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in several countries through established depository and custodial relationships. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector, also known as the *Commission de Surveillance du Secteur Financier*. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and other organizations. Clearstream s participants in the U.S. are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Clearstream participants. Distributions with respect to interests in global securities held through Clearstream will be credited to cash accounts of its customers in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream.

Euroclear has advised us that it was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the Euroclear operator) under contract with Euroclear plc, a U.K. corporation. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Settlement

As long as the depositary shares are represented by a global depositary receipt registered in the name of DTC, or its nominee, the depositary shares will trade in the DTC Same-Day Funds Settlement System. DTC requires secondary market trading activity in the depositary shares to settle in immediately available funds. This requirement may affect trading activity in the depositary shares. Secondary market trading between Clearstream customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the applicable procedures in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and

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within its established deadlines. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving depositary shares in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to their respective U.S. depositaries.

Notices

So long as the global depositary receipts are held on behalf of DTC or any other clearing system, notices to holders of depositary shares represented by a beneficial interest in the global depositary receipts may be given by delivery of the relevant notice to DTC or the alternative clearing system, as the case may be.

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Certain U.S. Federal Income Tax Considerations

The following is a summary of the principal U.S. federal income tax consequences relevant to the purchase, ownership and disposition of the depositary shares. The summary is limited to taxpayers who will hold the depositary shares as capital assets and who purchase the depositary shares in the initial offering at the initial offering price.

The following summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations and judicial or administrative authority, all of which are subject to change, possibly with retroactive effect.

State, local and foreign tax consequences are not summarized, nor are estate or gift tax consequences or tax consequences to special classes of investors including, but not limited to, tax-exempt organizations, insurance companies, banks or other financial institutions, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, dealers in securities, regulated investment companies, real estate investment trusts, persons whose functional currency is not the U.S. dollar, U.S. expatriates, persons liable for the alternative minimum tax, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, and persons that will hold the depositary shares as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction. Tax consequences may vary depending upon the particular status of an investor.

Beneficial owners of depositary shares will be treated as owners of the underlying Preferred Stock for U.S. federal income tax purposes.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the depositary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner and the partnership holding the depositary shares should consult his, her or its tax advisors regarding the tax considerations of acquiring, holding and disposing of the depositary shares.

THIS SUMMARY IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES FOR HOLDERS RELATING TO THE OWNERSHIP AND DISPOSITION OF THE DEPOSITARY SHARES. PROSPECTIVE HOLDERS OF THE DEPOSITARY SHARES SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, FOREIGN INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF THE DEPOSITARY SHARES.

U.S. Holders

The discussion in this section is addressed to a U.S. holder, which for this purpose means a beneficial owner of depositary shares that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States,
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state thereof or the District of Columbia,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (b) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

Distributions. You will be taxed on distributions with respect to the depositary shares as dividend income to the extent paid out of our current or accumulated earnings and profits for U.S. federal income tax purposes. If you

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are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum rate of 15%, *provided* that you hold your depositary shares of Preferred Stock for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, if the dividend is attributable to a period or periods aggregating over 366 days, *provided* that you hold your depositary shares of Preferred Stock for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. If you are taxed as a corporation, except as described in the remainder of this subsection, dividends would be eligible for the dividends-received deduction, which is generally 70%.

You generally will not be taxed on any portion of a distribution not paid out of our current or accumulated earnings and profits if your tax basis in the depositary shares is greater than or equal to the amount of the distribution. However, you would be required to reduce your tax basis (but not below zero) in the depositary shares by the amount of the distribution, and would recognize capital gain to the extent that the distribution exceeds your tax basis in the depositary shares. Further, if you are a corporation, you would not be entitled to a dividends-received deduction on this portion of a distribution.

Corporate shareholders may not be entitled to take the dividends-received deduction in all circumstances and, even if they are so entitled, may be subject to special rules in respect of their ownership of the depositary shares. Prospective corporate investors in depositary shares should consider the effect of:

- Section 246A of the Code, which reduces the dividends-received deduction allowed to a corporate shareholder that has incurred indebtedness that is directly attributable to an investment in portfolio stock such as depositary shares;

- Section 246(c) of the Code, which, among other things, disallows the dividends-received deduction in respect of any dividend on a share of stock that is held for less than the minimum holding period (generally at least 46 days during the 91-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend); and

- Section 1059 of the Code, which, under certain circumstances, reduces the basis of stock for purposes of calculating gain or loss in a subsequent disposition by the portion of any extraordinary dividend (as defined below) that is eligible for the dividends-received deduction.

If you are a corporate shareholder, you will be required to reduce your tax basis (but not below zero) in the depositary shares by the nontaxed portion of any extraordinary dividend if you have not held your stock for more than two years before the earliest of the date such dividend is declared, announced, or agreed. Generally, the nontaxed portion of an extraordinary dividend is the amount excluded from income by operation of the dividends-received deduction. An extraordinary dividend on the depositary shares generally would be a dividend that:

- equals or exceeds 5% of the corporate shareholder s adjusted tax basis in the depositary shares, treating all dividends having ex-dividend dates within an 85-day period as one dividend; or

- exceeds 20% of the corporate shareholder s adjusted tax basis in the depositary shares, treating all dividends having ex-dividend dates within a 365-day period as one dividend.

In determining whether a dividend paid on the depositary shares is an extraordinary dividend, a corporate shareholder may elect to substitute the fair market value of the stock for its tax basis for purposes of applying these tests if the fair market value as of the day before the ex-dividend date is established to the satisfaction of the Secretary of the Treasury. An extraordinary dividend also includes any amount treated as a dividend in the case of a redemption that is either non-*pro rata* as to all shareholders or in partial liquidation of the company, regardless of the stockholder s holding period and regardless of the size of the dividend. Any part of the nontaxed portion of an extraordinary dividend that is not applied to reduce the corporate shareholder s tax basis as a result of the limitation on reducing its basis below zero would be treated as capital gain and would be recognized in the taxable year in which the extraordinary dividend is received.

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If you are a corporate shareholder, please consult your tax advisor with respect to the possible application of the extraordinary dividend provisions of the federal income tax law to your ownership or disposition of the depositary shares in your particular circumstances.

Dispositions. A U.S. holder will generally recognize capital gain or loss on a sale or exchange of the depositary shares equal to the difference between the amount realized upon the sale or exchange and such U.S. holder s adjusted tax basis in the shares sold or exchanged. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The deductibility of capital losses is subject to significant limitations.

If we redeem your depositary shares, it generally would be a taxable event. You would be treated as if you had sold your depositary shares if the redemption:

- results in a complete termination of your stock interest in us;
- is substantially disproportionate with respect to you; or
- is not essentially equivalent to a dividend with respect to you.

In determining whether any of these tests has been met, shares of stock considered to be owned by you by reason of certain constructive ownership rules set forth in Section 318 of the Code, as well as shares actually owned, must be taken into account.

If we redeem your depositary shares in a redemption that meets one of the tests described above, you generally would recognize taxable gain or loss equal to the sum of the amount of cash and fair market value of property (other than stock of us or a successor to us) received by you less your tax basis in the depositary shares redeemed. This gain or loss would be long-term capital gain or capital loss if you have held the depositary shares for more than one year.

If a redemption does not meet any of the tests described above, you generally would be taxed on the cash and fair market value of the property (other than stock of us or a successor to us) you receive as a dividend to the extent paid out of our current and accumulated earnings and profits. Any amount in excess of our current or accumulated earnings and profits would first reduce your tax basis in the depositary shares and thereafter would be treated as capital gain. If a redemption of the depositary shares is treated as a distribution that is taxable as a dividend, you should consult with your own tax advisor regarding the allocation of your basis in the redeemed and remaining depositary shares.

Medicare Tax. For taxable years beginning after December 31, 2012, a U.S. holder that is an individual or estate, or a trust that does not fall into a specnt style="font-family:inherit;font-size:9pt;">18 exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages or other indebtedness contains cross-collateralization or cross-default provisions, a default on a single loan could affect multiple properties.

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

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

Our investment strategies employ a significant amount of leverage.

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

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

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

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

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

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

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

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

Federal Income Tax Risks

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

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

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

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

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

- In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income (including net capital gain), we will be subject to federal and state corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income, and 100% of

our undistributed income from prior years.

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- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell a property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain may be subject to the 100% "prohibited transaction" tax.
- Our taxable REIT subsidiaries will be subject to tax on their taxable income.

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

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

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

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

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

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

Each year, REITs are required to distribute 90% of their REIT taxable income, determined without regard to the dividends-paid deduction and excluding net capital gain. We have substantial net operating losses that, subject to possible limitations, will reduce our taxable income. In addition, capital gains may be retained by us but would be subject to income taxes. If capital gains are retained rather than distributed, our stockholders would be notified and they would be deemed to have received a taxable distribution, with a refundable credit for any federal income tax paid by us. Accordingly, we will not be required to distribute material amounts of cash if substantially all of our taxable income is income from timber-cutting contracts or sales of timberland that is treated as capital gains income. Our board of directors, in its sole discretion, determines the amount of quarterly dividends to be provided to our stockholders

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

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

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

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

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

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

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

Risks Related to Our Common Stock

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

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

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

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

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- equity issuances by us, or future sales of substantial amounts of our common stock by our existing or future stockholders, or the perception that such issuances or future sales may occur;
- short sales or other derivative transactions with respect to our common stock;
- changes in market valuations of companies in the timberland or real estate industries;
- increases in market interest rates or a decrease in our distributions to stockholders that lead purchasers of our common stock to demand a higher yield;
- fluctuations in stock market prices and volumes;
- additions or departures of key management personnel;
- our operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly operating results;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- publication of research reports about us or our industry by securities analysts or failure of our results to meet expectations of securities analysts;
- failure to qualify as a REIT;
- adverse market reaction to any indebtedness we incur in the future;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- changes in our earnings;
- failure to satisfy the listing requirements of the NYSE;
- failure to comply with the requirements of the Sarbanes-Oxley Act;
- actions by institutional stockholders;
- changes in accounting principles; and
- general market conditions, including factors unrelated to our performance.

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

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

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

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

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

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

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

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(1) Acres presented in the graph includes fee timberland only and excludes 46,400 acres of non-forest land and acres to be planted.
(2) Natural Pine and Hardwood represents acres that have been seeded by standing older pine trees near the site through the natural process of seeds dropping from the cones of the older trees. Natural pine sites generally include some mix of natural occurring hardwood trees as well.
(3) Planted Pine are site-prepared acres that are hand or machine planted with pine seedlings to maximize the growth potential and inventory carrying capacity of the soils. Planted pine acre inventory is devoted to pine species only.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Information and Stockholders of Record

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

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

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

Stock Performance Graph

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

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

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

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

Dividends

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

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

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

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

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

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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

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

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

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ITEM 6. SELECTED FINANCIAL DATA

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

	As of December 31,				
	2016	2015	2014	2013	2012
Cash and cash equivalents	$9,108	$8,025	$17,365	$8,614	$11,221
Restricted cash and cash equivalents	$—	$—	$—	$—	$2,050
Total assets	$709,824	$599,095	$564,489	$337,572	$349,081
Total liabilities	$328,754	$188,057	$119,797	$57,640	$138,994
Total stockholders' equity	$381,070	$411,038	$444,692	$279,932	$210,087
Outstanding debt	$325,656	$185,002	$118,000	$52,160	$132,356
Period End Acres					
Fee	467,500	401,200	364,700	247,200	246,300
Lease	32,100	23,800	28,600	30,900	42,500
Total	499,600	425,000	393,300	278,100	288,800

	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
Total revenues	$81,855	$69,122	$54,311	$32,048	$44,200
Operating income (loss)	$(4,408)	$(4,820)	$3,118	$(8,602)	$(3,700)
Net income (loss)	$(11,070)	$(8,387)	$660	$(13,197)	$(8,871)
Net income (loss) available to common stockholders	$(11,070)	$(8,387)	$660	$(13,557)	$(9,245)
Per-share data—basic and diluted:					
Net income (loss) available to common stockholders	$(0.29)	$(0.21)	$0.02	$(1.03)	$(0.73)
Weighted-average common shares outstanding	38,830	39,348	31,568	13,146	12,742
Adjusted EBITDA [(1)]	$36,486	$32,168	$23,671	$3,469	$15,497
Cash Flow					
Net cash provided by (used in) operating activities	$30,849	$28,494	$19,845	$(1,071)	$11,426
Net cash used in investing activities	$(144,765)	$(78,461)	$(238,433)	$(137)	$(18,342)
Net cash provided by (used in) financing activities	$114,999	$40,627	$227,339	$(1,399)	$11,289
Cash dividends paid per common share	$0.53	$0.50	$0.47	$—	$—
Capital Expenditures					
Capital expenditures-acquisitions [(2)]	$141,570	$75,793	$237,527	$1,743	$22,524
Capital expenditures-other	$3,195	$2,668	$906	$444	$531

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

(1) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations —Adjusted EBITDA” for the definition and information regarding why we present Adjusted EBITDA and for a reconciliation of this non-GAAP financial measure to net income (loss).
(2) Includes transaction costs.
(3) Includes chip-n-saw and sawtimber.
(4) Exclusive of transaction costs.

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

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

Overview

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

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

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

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

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

Timber Agreements

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

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

2017 Outlook

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

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

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

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General Economic Conditions and Timber Market Factors Impacting Our Business

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

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

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

Liquidity and Capital Resources

Overview

Cash flows generated from our operations are primarily used to fund recurring expenditures and distributions to our stockholders. In the second quarter of 2016, we raised our quarterly distribution rate from $0.125 per share to $0.135 per share. Collectively, we paid a distribution of $0.53 per share in 2016, totaling $20.4 million. During the same period, we generated net cash from operations of $30.8 million. The amount of distributions to common stockholders is determined by our board of directors and is dependent upon a number of factors, including funds deemed available for distribution based principally on our current and future projected operating cash flows, reduced by capital requirements necessary to maintain our existing timberland portfolio. In determining the amount of distributions to common stockholders, we also consider our financial condition, our expectations of future sources of liquidity, current and future economic conditions, market demand for timber and timberlands, and tax conditions, including the annual distribution requirements necessary to maintain our status as a REIT under the Code.
In determining how to allocate cash resources in the future, we will initially consider the source of the cash. We anticipate using a portion of cash generated from operations, after payments of periodic operating expenses and interest expense, to fund certain capital expenditures that enhance productivity of our timberlands. Any remaining cash generated from operations may be used to partially fund timberland acquisitions and pay distributions to stockholders. Therefore, to the extent that cash flows from operations are lower, timberland acquisitions and

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

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Short-Term Liquidity and Capital Resources

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

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

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

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

Long-Term Liquidity and Capital Resources

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

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

Contractual Obligations and Commitments

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

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

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

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(1) Represents respective obligations under the 2014 Amended Credit Agreement as of December 31, 2016. $100 million of which was outstanding under the 2014 Term Loan Facility and $226 million of which was outstanding under the 2014 Multi-Draw Term Facility (see 2014 Amended Credit Facilities below).

(2) Amounts include impact of two interest rate swaps. See Note 5 – Interest Rate Swaps of our accompanying consolidated financial statements for additional information.

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

2014 Amended Credit Facilities

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

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

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

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

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

Patronage

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

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

Debt Covenants

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

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

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

Shelf Registration

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

Share Repurchase Program

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

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

Dividends

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

Results of Operations

Overview

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

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	Years Ended December 31,		Change
	2016	2015	%
Timber sales volume (tons)			
Pulpwood	1,360,437	1,131,475	20 %
Sawtimber (1)	867,055	708,764	22 %
	2,227,492	1,840,239	21 %
Harvest Mix			
Pulpwood	61 %	61 %	
Sawtimber (1)	39 %	39 %	
Net timber sales price (per ton) (2)			
Pulpwood	$14	$13	5 %
Sawtimber (1)	$24	$26	(7)%
Timberland sales			
Gross sales (000's)	$12,515	$11,845	
Sales volumes (acres)	7,286	6,407	
Sales price (per acre)	$1,718	$1,849	

	Years Ended December 31,		Change
	2015	2014	%
Timber sales volume (tons)			
Pulpwood	1,131,475	885,980	28 %
Sawtimber (1)	708,764	479,460	48 %
	1,840,239	1,365,440	35 %
Harvest Mix			
Pulpwood	61 %	65 %	
Sawtimber (1)	39 %	35 %	
Net timber sales price (per ton) (2)			
Pulpwood	$13	$13	(1)%
Sawtimber (1)	$26	$24	6 %
Timberland sales			
Gross sales (000's)	$11,845	$10,650	
Sales volumes (acres)	6,407	3,761	
Sales price (per acre)	$1,849	$2,832	

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

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

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

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

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

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

(1) Timber sales are presented on a gross basis.
(2) Includes chip-n-saw and sawtimber.

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Timber sales are presented on a gross basis.
(2) Includes chip-n-saw and sawtimber.

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

Operating expenses. Contract logging and hauling costs increased to $19.9 million for the year ended December 31, 2015 from $17.3 million for the year ended December 31, 2014 as a result of a 16% increase in delivered sales volume. Delivered sales volume as a percentage of our total harvest volume decreased to 60% in 2015 from 70% in 2014. Depletion expense increased by 83% to $27.1 million in 2015 from $14.8 million in 2014, due to a 35% increase in harvest volume and higher blended depletion rates. As a result of changing to the straight-line depletion method in the first quarter of 2015, depletion expense on our long-term fee timber was $4.5 million higher than it would have been under our previous depletion method.

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

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

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

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

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

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

Adjusted EBITDA

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

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

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

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

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

Inflation

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

Application of Critical Accounting Policies

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

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

Timber Assets

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

Depletion

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

Evaluating the Recoverability of Timber Assets

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

Allocation of Purchase Price of Acquired Assets

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

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Revenue Recognition

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

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

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

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

(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.

Related-Party Transactions and Agreements

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

Commitments and Contingencies

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

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

Off-Balance Sheet Arrangements

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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

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

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

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

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

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

ITEM 9A. CONTROLS AND PROCEDURES

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

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

Management's Report on Internal Control Over Financial Reporting

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

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

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

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

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

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

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

ITEM 9B. OTHER INFORMATION
For the quarter ended December 31, 2016, all items required to be disclosed under Form 8-K were reported under Form 8-K.

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PART III

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

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

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

ITEM 11 EXECUTIVE COMPENSATION

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

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

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

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

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

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. A list of the financial statements contained herein is set forth on page F-1 hereof.

(a) 2. All financial statement schedules have been omitted because they are not applicable, not material, or the required information is shown in the consolidated financial statements or the notes thereto.

(a) 3. The Exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto.

(b) See (a) 3 above.

(c) See (a) 2 above.

SIGNATURES

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

CATCHMARK TIMBER TRUST, INC.
(Registrant)

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

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
March 3, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Stockholders of
CatchMark Timber Trust, Inc.

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

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

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

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

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

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

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
March 3, 2017

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

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

See accompanying notes.

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CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except for per-share amounts)

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

See accompanying notes.

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

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

See accompanying notes.

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

	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
Issuance of common stock pursuant to:								
Listed Public Offerings	15,954	160	—	—	190,062	—	$ —	190,222
Long-term incentive plan, net of amounts withheld for income taxes	10	—	—	—	381	—	$ —	381
Conversion to Class A Shares	6,329	63	(6,329)	(63)	—	—	$ —	—
Dividends on common stock ($0.47 per share)	—	—	—	—	—	(15,336)	$ —	(15,336)
Stock issuance cost	—	—	—	—	(10,042)	—	—	(10,042)
Net income	—	—	—	—	—	660	—	660
Other comprehensive loss	—	—	—	—	—	—	(1,125)	(1,125)
Balance, December 31, 2014	36,193	$ 362	3,164	$ 32	$ 612,518	$ (167,364)	$ (856)	$ 444,692
Issuance of common stock pursuant to:								
Long-term incentive plan, net of amounts withheld for income taxes	202	2	—	—	889	—	—	891
Conversion to Class A Shares	3,164	32	(3,164)	(32)	—	—	—	—
Dividends on common stock ($0.50 per share)	—	—	—	—	—	(19,590)	—	(19,590)
Repurchase of common stock	(584)	(6)	—	—	(5,998)	—	—	(6,004)
Net loss	—	—	—	—	—	(8,387)	—	(8,387)
Other comprehensive loss	—	—	—	—	—	—	(564)	(564)
Balance, December 31, 2015	38,975	$ 390	—	$ —	$ 607,409	$ (195,341)	$ (1,420)	$ 411,038
Issuance of common stock pursuant to:								
Long-term incentive plan, net of forfeitures and amounts withheld for income taxes	131	1	—	—	1,524	—	—	1,525
Dividends on common stock ($0.53 per share)	—	—	—	—	—	(20,382)	—	(20,382)
Repurchase of common stock	(309)	(3)	—	—	(3,205)	—	—	(3,208)
Net loss	—	—	—	—	—	(11,070)	—	(11,070)
Other comprehensive income	—	—	—	—	—	—	3,167	3,167
Balance, December 31, 2016	38,797	$ 388	—	$ —	$ 605,728	$ (226,793)	$ 1,747	$ 381,070

See accompanying notes.

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

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

See accompanying notes.

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

1. Organization

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

2. Summary of Significant Accounting Policies

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

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

Use of Estimates
The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates.
Fair Value Measurements
CatchMark Timber Trust estimates the fair value of its assets and liabilities where currently required under GAAP consistent with the provisions of the accounting standard for fair value measurements and disclosures. Under this guidance, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While various techniques and assumptions can be used to estimate fair value depending on the nature of the asset or liability, the accounting standard for fair value measurements and disclosures provides the following fair value technique parameters and hierarchy, depending upon availability:

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Level 1 — Assets or liabilities for which the identical term is traded on an active exchange, such as publicly-traded instruments or futures contracts.
Level 2 — Assets and liabilities valued based on observable market data for similar instruments.
Level 3 — Assets or liabilities for which significant valuation assumptions are not readily observable in the market. Such assets or liabilities are valued based on the best available data, some of which may be internally developed. Significant assumptions may include risk premiums that a market participant would require.

Cash and Cash Equivalents

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

Accounts Receivable

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

Prepaid Expenses and Other Assets

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

Deferred Financing Costs

Deferred financing costs are comprised of costs incurred in connection with securing financing from third-party lenders and are capitalized and amortized on a straight-line basis (which approximates the effective interest rate method) over the terms of the related financing arrangements. Deferred financing costs relating to the outstanding debt are presented as a direct deduction from the carrying amount of the related debt liability on the accompanying consolidated balance sheets, where costs associated with the line of credit agreement are presented as an asset on the accompanying consolidated balance sheets.
For further information regarding our credit agreements, outstanding balance of debt and associated deferred financing costs, please refer to Note 4 – Note Payable and Line of Credit. CatchMark Timber Trust recognized amortization of deferred financing costs for the years ended December 31, 2016, 2015, and 2014 of approximately $0.9 million, $0.6 million, and $0.7 million, respectively, which is included in interest expense in the accompanying consolidated statements of operations.
Timber Assets
Timber and timberlands, including logging roads, are stated at cost less accumulated depletion for timber harvested and accumulated road amortization. CatchMark Timber Trust capitalizes timber and timberland purchases. Reforestation costs, including all costs associated with stand establishment, such as site preparation, cost of seedlings, fertilization, and herbicide application, are capitalized and tracked as premerchantable timber assets by vintage year.

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

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

Depletion

CatchMark Timber Trust recognizes depletion expense as timber is harvested using the straight-line method. Depletion rates are established at least annually by dividing the remaining merchantable inventory book value by current merchantable timber inventory volume. CatchMark Timber Trust changed the deletion method on its long-term timber from normalized depletion method to the straight-line method effective January 1, 2015. Management believes that the straight-line method is preferable as it is based on the actual costs recorded and actual merchantable timber volume as of the date that the depletion rates are determined. The straight-line method is less reliant on subjective and complex estimates of future costs and expected timber growth that were involved in the normalized depletion method. In accordance with ASC 250, CatchMark Timber Trust determined that the change in depletion method was a change in accounting estimate effected by a change in accounting principle, and accordingly, the straight-line method was applied on a prospective basis.

Evaluating the Recoverability of Timber Assets

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

Allocation of Purchase Price of Acquired Assets

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

Intangible Lease Assets

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

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

Fair Value of Debt Instruments

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

Common Stock

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

Interest Rate Swaps

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

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

Revenue Recognition

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

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

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

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

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

Stock-based Compensation

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

Earnings Per Share

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

Income Taxes

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

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

Deferred tax assets and liabilities represent temporary differences between the financial reporting basis and the tax basis of assets and liabilities based on the enacted rates expected to be in effect when the temporary differences reverse. Deferred tax expense or benefit is recognized in the financial statements according to the changes in deferred tax assets or liabilities between years. Valuation allowances are established to reduce deferred tax assets when it becomes more likely than not that such assets, or portions thereof, will not be realized. No provision for federal income taxes has been made in the accompanying consolidated financial statements, other than the provision relating to CatchMark TRS, as CatchMark Timber Trust did not generate taxable income for the periods presented. See Note 13 – Income Taxes for more information.

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

Operating Segment

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

Recent Accounting Pronouncements

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

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

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

3. Timber Assets

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

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

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

Timberland Acquisitions

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

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

[1] Includes 8,300 acres of leasehold interest acquired in Georgia.

Timberland Sales

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

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

Current Timberland Portfolio

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

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

4. Note Payable and Line of Credit

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

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

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

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

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

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

2014 Amended Credit Agreement

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

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

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

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

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

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

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

Patronage

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

Debt Covenants

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

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

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

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

Interest Paid and Fair Value of Outstanding Debt

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

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

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

Included in the interest payments for the years ended December 31, 2016, 2015 and 2014 were unused commitment fees of $0.7 million, $0.4 million and $0.4 million, respectively. No interest paid was capitalized during the years ended December 31, 2016, 2015 and 2014.
As of December 31, 2016 and 2015, the weighted-average interest rate on these borrowings, after consideration of its interest rate swaps (see Note 5 – Interest Rate Swaps), was 3.09% and 2.65%, respectively. After further consideration of the expected patronage refunds, CatchMark Timber Trust's weighted average interest rate as of December 31, 2016 and 2015 was 2.19% and 1.75%, respectively.

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

5. Interest Rate Swaps

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

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

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

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

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

Fair Value and Cash Paid for Interest Under Interest Rate Swaps

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

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

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

6. Commitments and Contingencies

Mahrt Timber Agreements

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

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

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

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Timberland Operating Agreements

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

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

Obligations under Operating Leases

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

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

Litigation

From time to time, CatchMark Timber Trust may be a party to legal proceedings, claims, and administrative proceedings that arise in the ordinary course of its business. Management makes assumptions and estimates concerning the likelihood and amount of any reasonably possible loss relating to these matters using the latest information available. CatchMark Timber Trust records a liability for litigation if an unfavorable outcome is probable and the amount of loss or range

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

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

7.Noncontrolling Interest

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

8. Stockholders' Equity

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

Class B-3 Common Stock Conversion

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

Share Repurchase Program

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

9. Stock-based Compensation

Long-Term Incentive Plans

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

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Equity Compensation for Independent Directors

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

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

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

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

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

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

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

Service-based Restricted Stock Grants to Employees

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

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

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

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

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

Performance-based Restricted Stock Grants

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

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

Grant date market price (February 18, 2015)	$ 11.63	
Weighted average fair value per granted share	$ 7.01	
Assumptions:		
Volatility	38.54	%
Expected term (years)	3.0	
Dividend yield	4.30	%
Risk-free interest rate	1.06	%

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

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

Restricted Stock Units

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

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

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

Stock-based Compensation Expense

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

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

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

10. Recreational Leases

CatchMark Timber Trust leases certain access rights to individuals and companies for recreational purposes. These operating leases generally have terms of one year with certain provisions to extend the lease agreements for another one-year term. CatchMark Timber Trust retains substantially all of the risks and benefits of ownership of the timberland properties leased to tenants. As of December 31, 2016, approximately 481,600 acres, or 96%, of CatchMark Timber Trust's timberland available for hunting and recreational uses had been leased to tenants under operating leases that expire between May and July 2017. Under the terms of the recreational leases, tenants are required to pay the entire rent upon execution of the lease agreement. Such rental receipts are recorded as other liabilities until earned over the terms of the respective recreational leases and recognized as other revenue. As of December 31, 2016 and 2015, approximately $2.0 million and $1.6 million, respectively, of such rental receipts are recorded as other liabilities in the accompanying consolidated balance sheets. For the three years ended December 31, 2016, 2015, and 2014, CatchMark Timber Trust recognized other revenues related to recreational leases of approximately $4.0 million, $3.5 million, $2.7 million, respectively.

11. Supplemental Disclosures of Noncash Activities

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

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

12. Related-Party Transactions and Agreements

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

- Transition Services Agreement – Wells and CatchMark Timber Trust entered into a transition service agreement on October 23, 2013, pursuant to which Wells provided CatchMark Timber Trust with certain consulting, support and transitional services at the direction of CatchMark Timber Trust, in order to facilitate CatchMark Timber Trust's successful transition to self-management. The Transition Services Agreement remained in effect until June 30, 2014
- Sublease Agreement – Wells and CatchMark Timber OP entered into the sublease agreement on October 25, 2013, pursuant to which CatchMark Timber OP subleased from Wells a portion of the office space used and occupied by Wells. The term of the sublease commenced on October 25, 2013, and terminated on March 31, 2014.

Related-Party Costs

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

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

13. Income Taxes

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

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

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

As of December 31, 2016 and 2015, the tax basis carrying value of CatchMark Timber Trust's total timber assets was approximately $676.2 million and approximately $571.9 million, respectively.
CatchMark Timber Trust records deferred income taxes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income tax assets and liabilities are recorded based on the differences between the financial reporting and income tax bases of assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Components of the deferred tax asset as of December 31, 2016 and 2015 were attributable to the operations of CatchMark TRS only and were as follows:

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

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

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

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14. Quarterly Results (unaudited)

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

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

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

15. Customer Concentration

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

16. Subsequent Event

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

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EXHIBIT INDEX

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

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

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

	MeadWestvaco Corporation, CoBank, ACB, as the senior administrative agent, and Wachovia Bank, N.A., as the subordinated administrative agent (incorporated by reference to Exhibit 10.19 to Post-Effective Amendment No. 2)
10.21	Alabama Form of Recognition Agreement (Fiber Supply Agreement) dated as of October 9, 2007 among Wells TRS Harvesting Operations, LLC, Timberlands II, LLC, MeadWestvaco Coated Board, Inc., MeadWestvaco Corporation, CoBank, ACB, as the senior administrative agent, and Wachovia Bank, N.A., as the subordinated administrative agent (incorporated by reference to Exhibit 10.20 to Post-Effective Amendment No. 2)
10.22	Master Stumpage Agreement dated October 9, 2007 by and among Timberlands II, LLC, Wells TRS Harvesting Operations, LLC, and MeadWestvaco Coated Board, Inc. (incorporated by reference to Exhibit 10.25 to the 2009 Form 10-K)
10.23	Fiber Supply Agreement dated October 9, 2007 by and among Wells TRS Harvesting Operations, LLC, MeadWestvaco Corporation, and MeadWestvaco Coated Board, Inc. (incorporated by reference to Exhibit 10.26 to the 2009 Form 10-K)
10.24	Purchase and Sale Agreement, by and between FIATP SSF Timber LLC, a Delaware limited liability company, and CatchMark Timber Trust, Inc., a Maryland corporation, dated as of April 27, 2016 (incorporated by reference to Exhibit 10.1.1 to the 2016 Second Quarter 10-Q)

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

101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*	Filed herewith.
**	Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment. All material omitted has been filed separately with the SEC in accordance with Rule 24b-2 promulgated under the Exchange Act.
+	Management contract or compensatory plan or arrangement.