CatchMark Timber Trust, Inc.
Form 10-Q
May 02, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2019
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to
Commission File Number 001-36239
CATCHMARK TIMBER TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	20-3536671
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5 Concourse Parkway, Suite 2650, Atlanta, GA	30328
(Address of principal executive offices)	(Zip Code)

(855) 858-9794
(Registrant’s telephone number, including area code)
N/A
(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of exchange on which registered
Class A Common Stock, $0.01 Par Value Per Share	CTT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer," “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	x
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).   Yes o   No x

Number of shares outstanding of the registrant's common stock, as of April 30, 2019: 49,082,943 shares

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CATCHMARK TIMBER TRUST, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of CatchMark Timber Trust, Inc. and subsidiaries ("CatchMark", "we," "our," or "us") may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in other reports and documents we file with the SEC or in connection with written or oral statements made to the press, potential investors, or others. We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in the Securities Act and the Exchange Act.

Forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. Forward-looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements in this report relate to our ability to deliver superior, consistent, and predictable per-share cash flow growth through disciplined acquisitions, active management, sustainable harvests, and well-timed real estate sales; our intent to grow over time through selective acquisitions and investments in high-demand fiber markets and to efficiently integrate new acquisitions and investments into our operations; our focus on generating cash flows from sustainable harvests and improved harvest mix on high-quality industrial timberlands, as well as opportunistic land sales and asset management fees; the biological growth of our forests; creating additional value through joint ventures; sales of large timberland properties to generate capital to fund capital allocation priorities; expected uses of cash generated from operations, debt financings and debt and equity offerings; expected sources and adequacy of capital resources and liquidity; distribution policy; change in depletion rates, merchantable timber book value and standing timber inventory volume; anticipated harvest volume and mix of harvest volume; possible interest rate risk mitigation actions; anticipated non-cash GAAP losses from the unconsolidated Triple T Joint Venture (as defined herein); and other factors that may lead to fluctuations in future net income (loss). Forward-looking statements in this report also relate to the Triple T Joint Venture and include, but are not limited to, statements about the expected benefits of the joint venture, including anticipated harvest volume, financial and operating results and future returns to stockholders; and our plans, objectives, expectations, projections and intentions.

Forward-looking statements are based on a number of assumptions involving judgments and are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from our historical experience and our present expectations. Such risks and uncertainties related to us and the Triple T Joint Venture include those discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018 and our subsequent reports filed with the SEC. Accordingly, readers are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date that this report is filed with the SEC. We do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

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GLOSSARY

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

AFM	American Forestry Management, Inc.
AgFirst	Agfirst Farm Credit Bank
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CoBank	CoBank, ACB
Code	Internal Revenue Code of 1986, as amended
EBITDA	Earnings before Interest, Taxes, Depletion, and Amortization
FASB	Financial Accounting Standards Board
FCCR	Fixed Charge Coverage Ratio
FRC	Forest Resource Consultants, Inc.
GAAP	U.S. Generally Accepted Accounting Principles
HBU	Higher and Better Use
HLBV	Hypothetical Liquidation at Book Value
IP	International Paper Company
LIBOR	London Interbank Offered Rate
LTV	Loan-to-Value
MBF	Thousand Board Feet
MPERS	Missouri Department of Transportation & Patrol Retirement System
NYSE	New York Stock Exchange
Rabobank	Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A.
REIT	Real Estate Investment Trust
RSU	Restricted Stock Unit
SEC	Securities and Exchange Commission
TRS	Taxable REIT Subsidiary
U.S.	United States
VIE	Variable Interest Entity
WestRock	WestRock Company (formerly known as MeadWestvaco Corporation)

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements should be read in conjunction with the condensed notes to our consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2018. Our results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operating results expected for the full year.

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

	(Unaudited) March 31, 2019	December 31, 2018
Assets:		
Cash and cash equivalents	$ 2,420	$ 5,614
Accounts receivable	5,162	7,355
Prepaid expenses and other assets	6,504	7,369
Operating lease right-of-use asset, less accumulated amortization of $69 as of March 31, 2019 (Note 2)	3,331	—
Deferred financing costs	307	327
Timber assets (Note 3):		
Timber and timberlands, net	681,744	687,851
Intangible lease assets, less accumulated amortization of $946 and $945 as of March 31, 2019 and December 31, 2018, respectively	11	12
Investments in unconsolidated joint ventures (Note 4)	67,960	96,244
Total assets	$ 767,439	$ 804,772
Liabilities:		
Accounts payable and accrued expenses	$ 3,686	$ 4,936
Operating lease liability (Note 2)	3,418	—
Other liabilities	7,861	5,940
Notes payable and lines of credit, net of deferred financing costs (Note 5)	472,443	472,240
Total liabilities	487,408	483,116
Commitments and Contingencies (Note 7)	—	—
Stockholders' Equity:		
Class A Common stock, $0.01 par value; 900,000 shares authorized; 49,083 and 49,127 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	492	492
Additional paid-in capital	729,705	730,416
Accumulated deficit and distributions	(446,233)	(409,260)
Accumulated other comprehensive (loss) income	(3,933)	8
Total stockholders' equity	280,031	321,656
Total liabilities and stockholders' equity	$ 767,439	$ 804,772

See accompanying notes.

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

	(Unaudited) Three Months Ended March 31,	
	2019	2018
Revenues:		
Timber sales	$16,551	$18,653
Timberland sales	2,090	4,252
Asset management fees	2,842	36
Other revenues	1,090	1,163
	22,573	24,104
Expenses:		
Contract logging and hauling costs	7,356	8,582
Depletion	5,268	7,062
Cost of timberland sales	1,560	3,147
Forestry management expenses	1,734	1,830
General and administrative expenses	3,363	2,945
Land rent expense	142	161
Other operating expenses	1,644	1,396
	21,067	25,123
Operating income (loss)	1,506	(1,019)
Other income (expense):		
Interest income	30	64
Interest expense	(4,622)	(4,251)
	(4,592)	(4,187)
Loss before unconsolidated joint ventures	(3,086)	(5,206)
Loss (income) from unconsolidated joint ventures (Note 4)	(27,309)	1,821
Net loss	$(30,395)	$(3,385)
Weighted-average common shares outstanding - basic and diluted	49,063	44,380
Net loss per share - basic and diluted	$(0.62)	$(0.08)

See accompanying notes.

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

	(Unaudited) Three Months Ended March 31, 2019	2018
Net loss	$(30,395)	$(3,385)
Other comprehensive income (loss):		
Market value adjustment to interest rate swaps	(3,941)	1,931
Comprehensive loss	$(34,336)	$(1,454)

See accompanying notes.

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

	Common Stock		Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2018	49,127	$ 492	$ 730,416	$ (409,260)	$ 8	$ 321,656
Common stock issued pursuant to:						
LTIP, net of forfeitures and amounts withheld for income taxes	92	1	292			293
Dividends to common stockholders ($0.135 per share)				(6,578)		(6,578)
Repurchase of common stock	(136)	(1)	(1,003)			(1,004)
Net loss				(30,395)		(30,395)
Other comprehensive loss					(3,941)	(3,941)
Balance, March 31, 2019	49,083	$ 492	$ 729,705	$ (446,233)	$ (3,933)	$ 280,031

	Common Stock		Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2017	43,425	$ 434	$ 661,222	$ (261,652)	$ 2,376	$ 402,380
Common stock issued pursuant to:						
Equity Offering	5,750	58	72,392			72,450
LTIP, net of forfeitures and amounts withheld for income taxes	(46)	(1)	(85)			(86)
Stock issuance cost			(3,490)			(3,490)
Dividends to common stockholders ($0.135 per share)				(5,815)		(5,815)
Net loss				(3,385)		(3,385)
Other comprehensive income					1,931	1,931
Balance, March 31, 2018	49,129	$ 491	$ 730,039	$ (270,852)	$ 4,307	$ 463,985

See accompanying notes.

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

	(Unaudited) Three Months Ended March 31, 2019	2018
Cash Flows from Operating Activities:		
Net loss	$(30,395)	$(3,385)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion	5,268	7,062
Basis of timberland sold, lease terminations and other	1,807	2,856
Stock-based compensation expense	659	765
Noncash interest expense	250	1,671
Other amortization	208	54
Loss (income) from unconsolidated joint ventures	27,309	(1,821)
Operating distributions from unconsolidated joint ventures	179	2,188
Changes in assets and liabilities:		
Accounts receivable	1,363	1,330
Prepaid expenses and other assets	513	76
Accounts payable and accrued expenses	(1,109)	1,284
Other liabilities	(805)	(1,133)
Net cash provided by operating activities	5,247	10,947
Cash Flows from Investing Activities:		
Timberland acquisitions and earnest money paid	—	(2,319)
Capital expenditures (excluding timberland acquisitions)	(1,259)	(1,545)
Distributions from unconsolidated joint ventures	796	—
Net cash used in investing activities	(463)	(3,864)
Cash Flows from Financing Activities:		
Repayment of notes payable	—	(69,000)
Financing costs paid	(31)	(95)
Issuance of common stock	—	72,450
Other offering costs paid	—	(3,490)
Dividends paid to common stockholders	(6,578)	(5,815)
Repurchase of common shares under the share repurchase program	(1,004)	—
Repurchase of common shares for minimum tax withholdings	(365)	(851)
Net cash used in financing activities	(7,978)	(6,801)
Net change in cash and cash equivalents	(3,194)	282
Cash and cash equivalents, beginning of period	5,614	7,805
Cash and cash equivalents, end of period	$2,420	$8,087

See accompanying notes.

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CATCHMARK TIMBER TRUST, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019 (unaudited)

1. Organization

CatchMark Timber Trust Inc. ("CatchMark Timber Trust") (NYSE: CTT) owns and operates timberlands located in the United States and has elected to be taxed as a REIT for federal income tax purposes. CatchMark Timber Trust acquires, owns, operates, manages, and disposes of timberland directly, through wholly-owned subsidiaries, or through joint ventures. CatchMark Timber Trust was incorporated in Maryland in 2005 and commenced operations in 2007. CatchMark Timber Trust conducts substantially all of its business through CatchMark Timber Operating Partnership, L.P. (“CatchMark Timber OP”), a Delaware limited partnership. CatchMark Timber Trust is the general partner of CatchMark Timber OP, possesses full legal control and authority over its operations, and owns 99.99% of its common partnership units. CatchMark LP Holder, LLC (“CatchMark LP Holder”), a Delaware limited liability company and wholly-owned subsidiary of CatchMark Timber Trust, is the sole limited partner of CatchMark Timber OP and owns the remaining 0.01% of its common partnership units. In addition, CatchMark Timber TRS, Inc. (“CatchMark TRS”), a Delaware corporation formed as a wholly-owned subsidiary of CatchMark Timber OP in 2006, is our taxable REIT subsidiary. Unless otherwise noted, references herein to CatchMark 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 have been prepared in accordance with the rules and regulations of the SEC, including the instructions to Form 10-Q and Article 10 of Regulation S-X and do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the financial statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the results for such periods. Results for these interim periods are not necessarily indicative of results for a full year.

CatchMark’s consolidated financial statements include the accounts of CatchMark and any VIE in which CatchMark is deemed the primary beneficiary. With respect to entities that are not VIEs, CatchMark's consolidated financial statements also include the accounts of any entity in which CatchMark owns a controlling financial interest and any limited partnership in which CatchMark owns a controlling general partnership interest. In determining whether a controlling interest exists, CatchMark considers, among other factors, the ownership of voting interests, protective rights, and participatory rights of the investors. All intercompany balances and transactions have been eliminated in consolidation. For further information, refer to the audited financial statements and footnotes included in CatchMark’s Annual Report on Form 10-K for the year ended December 31, 2018.

Investments in Joint Ventures

For joint ventures that it does not control but exercises significant influence, CatchMark uses the equity method of accounting. CatchMark's judgment about its level of influence or control of an entity involves consideration of various factors including the form of its ownership interest; its representation in the entity's governance; its ability to participate in policy-making decisions; and the rights of other investors to participate in the decision-making process, to replace CatchMark as manager, and/or to liquidate the venture. Under the equity method, the investment in a joint venture is recorded at cost and adjusted for equity in earnings and cash contributions and distributions. Income or loss and cash distributions from an unconsolidated joint venture are allocated according to the provisions of the respective joint venture agreement, which may be different from its stated ownership percentages. Any difference between the carrying amount of these investments on CatchMark's balance sheets and the underlying equity in net assets on the joint venture's balance sheets is adjusted as the related underlying assets are depreciated, amortized, or sold. Distributions received from unconsolidated joint ventures are classified in the accompanying consolidated statements of cash flows using the

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cumulative earnings approach under which distributions received in an amount equal to cumulative equity in earnings are classified as cash inflows from operating activities and distributions received in excess of cumulative equity in earnings represent returns of investment and therefore are classified as cash inflows from investing activities.

CatchMark evaluates the recoverability of its investments in unconsolidated joint ventures in accordance with accounting standards for equity investments by first reviewing each investment for any indicators of impairment. If indicators are present, CatchMark estimates the fair value of the investment. If the carrying value of the investment is greater than the estimated fair value, management assesses whether the impairment is “temporary” or “other-than-temporary.” In making this assessment, management considers the following: (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the entity, and (3) CatchMark’s intent and ability to retain its interest long enough for a recovery in market value. If management concludes that the impairment is "other than temporary," CatchMark reduces the investment to its estimated fair value.

For information on CatchMark’s unconsolidated joint ventures, which are accounted for using the equity method of accounting, see Note 4, Unconsolidated Joint Ventures.

Segment Information

CatchMark primarily engages in the acquisition, ownership, operation, management, and disposition of timberland properties located in the United States, either directly through wholly-owned subsidiaries or through equity method investments in affiliated joint ventures. CatchMark defines operating segments in accordance with ASC Topic 280, Segment Reporting, to reflect the manner in which its chief operating decision maker, the Chief Executive Officer, evaluates performance and allocates resources in managing the business. CatchMark has aggregated its operating segments into three reportable segments: Harvest, Real Estate and Investment Management. See Note 9 — Segment Information for additional information.

New Lease Accounting Standard

In February 2016, the FASB issued ASU 2016-02, Leases ("ASC 842"). ASC 842 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on its balance sheet for all leases, subject to certain scope exceptions. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

CatchMark adopted ASC 842 effective January 1, 2019 using the modified retrospective approach with the cumulative effect of the application recognized at the effective date. CatchMark elected the package of practical expedients, including the option to account for each separate lease component of a contract and its associated non-lease component as a single lease component, thus causing all fixed payments to be capitalized; and the practical expedient, which among other things, allows CatchMark to carry forward historical lease classification. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the operating lease ROU asset or liability. These are expensed as incurred and recorded as variable lease expense. Management identified and evaluated all of its in-place leases, subleases, and contracts with a lease component, and determined that its office lease is the only lease within the scope of ASC 842. CatchMark elected the practical expedient to not apply the recognition requirements of ASC 842 to its short-term leases. CatchMark determined its long-term timber lease to be a lease of biological assets, a scope exception to ASC 842. Long-term timber lease expense is reported as land rent expense on CatchMark's consolidated statements of operations. See Note 7 - Commitments and Contingencies, Obligations under Operating Leases for additional information on the long-term timber lease. Additionally, CatchMark determined that its hunting and recreational leases do not qualify as leases under ASC 842. See Note 2 - Summary of Significant Accounting Policies and Note 11 - Recreational Leases to CatchMark’s audited financial statements included in its Annual Report on Form

10-K for the year ended December 31, 2018 for additional information on its hunting and recreational leases.

CatchMark's office lease commenced in January 2019 and expires in November 2028 and qualifies as an operating lease under ASC 842. As of January 1, 2019, CatchMark recorded an operating lease ROU asset and an operating lease

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liability of approximately $3.4 million on its balance sheet, which represents the net present value of lease payments over the lease term discounted using CatchMark's incremental borrowing rate at commencement date. CatchMark's office lease contains renewal options; however, the options were not included in the calculation of the operating lease ROU and operating lease liability as it is not reasonably certain that CatchMark will exercise the renewal options. CatchMark recorded $87,000 of amortization expense related to the operating lease ROU asset and the operating lease liability for the three months ended March 31, 2019, which was included in general and administrative expenses on its consolidated statement of operations and in other amortization on its consolidated statement of cash flows. The adoption of ASC 842 did not result in a cumulative-effect adjustment to CatchMark's retained earnings, as its office lease commenced in January 2019.

The following amounts related to the office lease were reflected in CatchMark's consolidated financial statements:

(in thousands)	Three Months Ended March 31, 2019
Cash paid for office lease	$21
ROU asset obtained in exchange for new operating lease liability	$3,418
Lease term	9.9 years
Discount rate	4.58 %

CatchMark had the following future annual payments for its operating lease as of March 31, 2019 and December 31, 2018:

(in thousands)	As of March 31, 2019	December 31, 2018
Required Payments as of March 31,		
2019	$290	$ 312
2020	397	397
2021	412	412
2022	424	424
2023	435	435
2024	447	447
Thereafter	1,873	1,873
	$4,278	$ 4,300
Less: imputed interest	(860)	
Operating lease liability	$3,418	

Reclassification

Certain prior period amounts have been reclassified to conform with the current period's financial statement presentation. Within revenues on the accompanying statements of operations, asset management fees in the amount of $36,000 for the three months ended March 31, 2018 have been reclassified out of other revenues.

Recent Accounting Pronouncements

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities (Topic 815), which amends the hedge accounting recognition and presentation requirements in ASC 815, "Derivatives and Hedging." In October 2018, the FASB issued ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. ASU 2017-12 expands an entity's ability to hedge nonfinancial and financial risk components and reduces the complexity in fair value hedges of interest rate risk. It eliminates the requirement to separately measure and report hedge ineffectiveness and requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item when the hedged item affects earnings. The amendments in ASU 2018-16 permit use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes

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under Topic 815. CatchMark adopted ASU 2017-12 on January 1, 2018 and ASU 2018-16 on January 1, 2019. These adoptions did not have a material effect on CatchMark's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which expands the scope of ASC 718 to include share-based payments granted to non-employees in exchange for goods or services used or consumed in an entity’s own operations. This guidance aligns the measurement and classification for share-based payments to non-employees with the guidance for share-based payments to employees, with certain exceptions. ASU 2018-07 is effective for public entities for fiscal years beginning after December 15, 2018, and interim periods therein. CatchMark adopted ASU 2018-07 on January 1, 2019 and the adoption did not have a material effect on its consolidated financial statements.

On July 16, 2018, the FASB issued ASU 2018-09, Codification Improvements. The amendments in this update represent changes to clarify the ASC, correct unintended application of guidance, or make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Some of the amendments make the ASC easier to understand and easier to apply by eliminating inconsistencies, providing needed clarifications, and improving the presentation of guidance in the ASC. ASU 2018-09 is effective for public entities for fiscal years beginning after December 15, 2018, and interim periods therein. CatchMark adopted ASU 2018-09 on January 1, 2019 and the adoption did not have a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which added new disclosure requirements, eliminated and modified existing disclosure requirements on fair value measurement to improve the effectiveness of ASC 820. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. CatchMark is currently assessing the impact ASU 2018-13 will have on its consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities, which reduces the cost and complexity of financial reporting associated with consolidation of VIEs. This guidance supersedes the private company alternative for common control leasing arrangements issued in 2014 and expands it to all qualifying common control arrangements. ASU 2018-17 is effective for public entities for fiscal years beginning after December 15, 2019, and interim periods therein. CatchMark is currently assessing the impact ASU 2018-17 will have on its consolidated financial statements.

3. Timber Assets

As of March 31, 2019 and December 31, 2018, timber and timberlands consisted of the following, respectively:

	As of March 31, 2019		
(in thousands)	Gross	Accumulated Depletion or Amortization	Net
Timber	$320,356	$ 5,268	$315,088
Timberlands	366,356	—	366,356
Mainline roads	972	672	300
Timber and timberlands	$687,684	$ 5,940	$681,744

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	As of December 31, 2018		
(in thousands)	Gross	Accumulated Depletion or Amortization	Net
Timber	$345,972	$ 25,912	$320,060
Timberlands	367,488	—	367,488
Mainline roads	954	651	303
Timber and timberlands	$714,414	$ 26,563	$687,851

Timberland Sales

During the three months ended March 31, 2019 and 2018, CatchMark sold approximately 900 and 2,200 acres of timberland for $2.1 million and $4.3 million, respectively. CatchMark's cost basis in the timberland sold was $1.4 million and $2.9 million, respectively.

Timberland sales acreage by state is listed below:

	Three Months Ended March 31,	
Acres Sold In:	2019	2018
Alabama	500	—
Georgia	—	1,400
Louisiana	—	100
North Carolina	400	—
South Carolina	—	600
Texas	—	100
Total	900	2,200

Current Timberland Portfolio

As of March 31, 2019, CatchMark directly owned interests in approximately 458,700 acres of timberlands in the U.S. South and Pacific Northwest, approximately 432,000 acres of which were fee-simple interests and approximately 26,700 acres were leasehold interests. Land acreage by state is listed below:

Acres by state as of March 31, 2019 [1]	Fee	Lease	Total
South			
Alabama	72,400	1,800	74,200
Florida	2,000	—	2,000
Georgia	261,300	24,900	286,200
North Carolina	200	—	200
South Carolina	77,700	—	77,700
Tennessee	300	—	300
	413,900	26,700	440,600
Pacific Northwest			
Oregon	18,100	—	18,100
Total	432,000	26,700	458,700

[1] Represents CatchMark wholly-owned acreage only; excludes ownership interest in acreage held by joint ventures.

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4. Unconsolidated Joint Ventures

As of March 31, 2019, CatchMark owned interests in two joint ventures with unrelated parties: the Triple T Joint Venture and the Dawsonville Bluffs Joint Venture (each as defined and described below).

	As of March 31, 2019	
	Dawsonville Bluffs Joint Venture	Triple T Joint Venture
Ownership percentage	50.0%	21.6 % [(1)]
Acreage owned by the joint venture	4,400	1,099,500
Merchantable timber inventory (million tons)	0.3 [(3)]	42.1 [(2)]
Location	Georgia	Texas

(1) Represents our share of total partner capital contributions.

(2) The Triple T Joint Venture considers inventory to be merchantable at age 12. Merchantable timber inventory does not include current year growth.

(3) Merchantable timber inventory does not include current year growth.

CatchMark accounts for these investments using the equity method of accounting.

Triple T Joint Venture

During 2018, CatchMark formed a joint venture, TexMark Timber Treasury, LP, a Delaware limited partnership (the "Triple T Joint Venture"), with a consortium of institutional investors (the "Preferred Investors") to acquire 1.1 million acres of high-quality East Texas industrial timberlands (the “Triple T Timberlands”), for approximately $1.39 billion (the “Acquisition Price”), exclusive of transaction costs. The Triple T Joint Venture completed the acquisition of the Triple T Timberlands in July 2018. CatchMark invested $200.0 million in the Triple T Joint Venture, equal to 21.6% of the total equity contributions, in exchange for a common limited partnership interest. CatchMark, through a separate wholly-owned and consolidated subsidiary, is the sole general partner of the Triple T Joint Venture.

CatchMark uses the equity method to account for its investment in the Triple T Joint Venture since it does not possess the power to direct the activities that most significantly impact the economic performance of the Triple T Joint Venture, and accordingly, CatchMark does not possess the first characteristic of a primary beneficiary described in GAAP. CatchMark appointed three common board members of the Triple T Joint Venture, including its Chief Executive Officer,
Chief Financial Officer, and Senior Vice President of Forest Resources, which provides CatchMark with significant influence over the Triple T Joint Venture. Accordingly, pursuant to the applicable accounting literature, it is appropriate for CatchMark to apply the equity method of accounting to its investment in the Triple T Joint Venture.

The Triple T Joint Venture agreement provides for liquidation rights and distribution priorities that are significantly different from CatchMark's stated ownership percentage based on total equity contributions. The Preferred Investors are entitled to a minimum 10.25% cumulative return on their equity contributions, plus a complete return of their equity contributions before any distributions may be made on CatchMark’s common limited partnership interest. As such, CatchMark uses the hypothetical-liquidation-at-book-value method (“HLBV”) to determine its equity in the earnings of the Triple T Joint Venture. The HLBV method is commonly applied to equity investments in real estate, where cash distribution percentages vary at different points in time and are not directly linked to an investor's ownership percentage. For investments accounted for under the HLBV method, applying the percentage ownership interest to GAAP net income in order to determine earnings or losses would not accurately represent the income allocation and cash flow distributions that will ultimately be received by the investors.

CatchMark applies HLBV using a balance sheet approach. A calculation is prepared at each balance sheet date to determine the amount that CatchMark would receive if the Triple T Joint Venture were to liquidate all of its assets (at book value in accordance with GAAP) on that date and distribute the proceeds to the partners based on the contractually-defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning

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and the end of the reporting period, after adjusting for capital contributions and distributions, is CatchMark's income or loss from the Triple T Joint Venture for the period.

Condensed balance sheet information for the Triple T Joint Venture is as follows:

(in thousands)	As of March 31, 2019	December 31, 2018
Triple T Joint Venture:		
Total assets	$1,594,454	$1,607,413
Total liabilities	$749,742	$754,610
Total equity	$844,712	$852,803
CatchMark:		
Carrying value of investment	$62,962	$90,450

Condensed income statement information for the Triple T Joint Venture is as follows:

(in thousands)	Three Months Ended March 31, 2019	2018
Triple T Joint Venture:		
Total revenues	$35,964	$ —
Operating income	$2,522	$ —
Net loss	$(4,281)	$ —
CatchMark:		
Equity share of net loss	$(27,488)	$ —

Condensed statement of cash flow information for the Triple T Joint Venture is as follows:

(in thousands)	Three Months Ended March 31, 2019	2018
Triple T Joint Venture:		
Net cash used in operating activities	$(5,575)	$ —
Net cash used in investing activities	$(1,503)	$ —
Net cash provided by financing activities	$100	$ —
Net change in cash and cash equivalents	$(6,978)	$ —
Cash and cash equivalents, beginning of period	$39,300	$ —
Cash and cash equivalents, end of period	$32,322	$ —

CatchMark's equity share of the Triple T Joint Venture's net loss determined using the HLBV method as of March 31, 2019 is calculated as follows:

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(in thousands)		
Triple T Joint Venture:		
Total equity as of March 31, 2019		$844,712
Preferred Investors:		
Equity in Triple T Joint Venture, beginning balance	$762,353	
Minimum preferred return as of March 31, 2019	$19,268	
Class A preferred equity as of March 31, 2019	$129	
HLBV distribution as of March 31, 2019		$781,750
CatchMark:		
Equity in Triple T Joint Venture as of March 31, 2019		$62,962
Equity in Triple T Joint Venture, as of January 1, 2019		$90,450
Equity share of Triple T Joint Venture's net loss		$(27,488)

Dawsonville Bluffs Joint Venture

During 2017, CatchMark formed the Dawsonville Bluffs Joint Venture with MPERS, each owns a 50% membership interest. CatchMark shares substantive participation rights with MPERS, including management selection and termination, and the approval of material operating and capital decisions and, as such, uses the equity method of accounting to record its investment. Income or loss and cash distributions are allocated according to the provisions of the joint venture agreement, which are consistent with the ownership percentages for the Dawsonville Bluffs Joint Venture.

Condensed balance sheet information for the Dawsonville Bluffs Joint Venture is as follows:

(in thousands)	As of March 31, 2019