ITERIS, INC.
Form 4
February 01, 2013

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
MARXE AUSTIN W & GREENHOUSE DAVID M

(Last) (First) (Middle)

C/O SPECIAL SITUATIONS FUNDS, 527 MADISON AVENUE, SUITE 2600

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ITERIS, INC. [ITI]

3. Date of Earliest Transaction (Month/Day/Year)
01/30/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/30/2013		S		20,300	D	$ 1.6397 (1)	3,851,860	I	By Limited Partnerships
Common Stock	01/31/2013		S		5,800 (2)	D	$ 1.6 (1)	3,846,060 (2)	I (2)	By Limited Partnerships (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MARXE AUSTIN W & GREENHOUSE DAVID M C/O SPECIAL SITUATIONS FUNDS 527 MADISON AVENUE, SUITE 2600 NEW YORK, NY 10022		X		

Signatures

Austin W. Marxe	02/01/2013
**Signature of Reporting Person	Date
David M. Greenhouse	02/01/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This is a weighted average price.

(2) This is a joint filing by Austin W. Marxe (Marxe) and David M. Greenhouse (Greenhouse). They share voting and investment control over all securities owned by Special Situations Fund III QP, L.P. (QP), Special Situations Cayman Fund, L.P. (Cayman) and Special Situations Private Equity Fund, LP (PE), respectively. 2,188,810 shares of Common Stock are held by QP, 703,134 shares of Common Stock are held by Cayman and 954,116 shares of Common Stock are held by PE. The interest of Marxe and Greenhouse in the shares of Common Stock owned by QP, Cayman and PE is limited to the extent of his pecuniary interest.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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1

5,450

Spartanburg, SC

572,038

1

20,762

West Columbia, SC

119,852

1

5,725

West Chicago, IL

305,874

5

10,400

DeForest, WI

254,431

1

7,800

Montgomery, AL

332,000

1

8,750

West Chester, OH

269,868

1

11,150

West Columbia, SC

176,400

1

11,850

Brooklyn Park, MN

200,720

1

20,532

East Windsor, CT

126,111

1

7,725

Three months ended December 31, 2016

4,506,178

24

219,713

Year ended December 31, 2016

10,302,665

47

$
471,798

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

Year ended December 31, 2015

Location of Property	Square Feet	Buildings	Purchase Price (in thousands)
Burlington, NJ	503,490	1	$ 34,883
Greenville, SC	157,500	1	4,800
North Haven, CT	824,727	3	57,400
Three months ended March 31, 2015	1,485,717	5	97,083
Plymouth, MI	125,214	1	6,000
Oakwood Village, OH	75,000	1	4,398
Stoughton, MA	250,213	2	10,675
Oklahoma City, OK	223,340	1	12,135
Clinton, TN	166,000	1	5,000
Knoxville, TN	108,400	1	4,750
Fairborn, OH	258,680	1	9,100
El Paso, TX	126,456	1	9,700
Phoenix, AZ	102,747	1	9,500
Charlotte, NC	123,333	1	7,500
Machesney Park, IL	80,000	1	5,050
Three months ended June 30, 2015	1,639,383	12	83,808
Macedonia, OH	201,519	1	12,192
Novi, MI	125,060	1	8,716
Grand Junction, CO	82,800	1	5,254
Tulsa, OK	175,000	1	13,000
Chattanooga, TN	646,200	3	21,160
Libertyville, IL	287,102	2	11,121
Greer, SC	290,000	4	9,025
Piedmont, SC	400,000	3	12,000
Belvidere, IL	100,000	1	5,938
Conyers, GA	201,403	1	9,880
Three months ended September 30, 2015	2,509,084	18	108,286
Durham, NC	80,600	1	4,200
Charlotte, NC	124,680	1	5,423
Shreveport, LA	420,259	1	11,000
Dayton, OH	205,761	1	8,803
West Allis, WI	241,977	4	9,900
Loudon, TN	104,000	1	5,375
Garland, TX	164,914	1	7,600
Laurens, SC	125,000	1	5,535
Lancaster, PA	240,529	1	9,350
Grand Rapids, MI	301,317	1	9,400
Burlington, NJ	1,048,631	1	61,500
Three months ended December 31, 2015	3,057,668	14	138,086
Year ended December 31, 2015	8,691,852	49	$ 427,263

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the allocation of the consideration paid at the date of acquisition during the years ended December 31, 2016 and December 31, 2015, respectively, for the acquired assets and liabilities in connection with the acquisitions identified in the tables above.

	Year ended December 31, 2016		Year ended December 31, 2015	
Acquired Assets and Liabilities	Purchase price (in thousands)	Weighted average amortization period (years) of intangibles at acquisition	Purchase price (in thousands)	Weighted average amortization period (years) of intangibles at acquisition
Land	$59,630	N/A	$45,117	N/A
Buildings	283,758	N/A	256,970	N/A
Tenant improvements	8,670	N/A	7,705	N/A
Building and land improvements	29,073	N/A	20,712	N/A
Deferred leasing intangibles - In-place leases	62,533	8.2	58,109	5.6
Deferred leasing intangibles - Tenant relationships	30,446	10.4	31,390	8.0
Deferred leasing intangibles - Above market leases	10,576	9.2	11,135	7.3
Deferred leasing intangibles - Below market leases	(12,971)	8.5	(4,022)	5.2
Above market assumed debt adjustment	(75)	7.2	(418)	1.4
Other assets	158	N/A	565	N/A
Total purchase price	471,798		427,263	
Less: Mortgage notes assumed	(4,037)		(26,267)	
Less: Contingent consideration	—		(300)[(1)]	
Net assets acquired	$467,761		$400,696	

(1) In connection with the acquisition of the property located in West Allis, WI, the Company withheld $0.3 million that was otherwise due and payable to the seller. Under the terms of the purchase and sale agreement, the Company will pay the full amount to the seller by December 4, 2020, subject to the performance of the tenant under the in-place lease agreement.

On September 29, 2016, the Company assumed a mortgage note of approximately $4.0 million in connection with the acquisition of the property located in Rock Hill, SC. On September 29, 2015, the Company assumed a mortgage note of approximately $5.7 million in connection with the acquisition of the property located in Conyers, GA. On June 25, 2015, the Company assumed a mortgage note of approximately $4.9 million in connection with the acquisition of the property located in Charlotte, NC. For a discussion of the method used to determine the fair value of the mortgage notes, see Note 4.

On January 22, 2015, the Company acquired a property located in Burlington, NJ for approximately $34.9 million. As consideration for the property acquired, the Company (i) granted 812,676 Other Common Units with a fair value of approximately $21.9 million, (ii) paid approximately $1.2 million in cash, (iii) and assumed an approximately $11.8 million mortgage note. The mortgage note was paid in full immediately subsequent to the acquisition. On December 11, 2015, the Company acquired a property located in Laurens, SC for approximately $5.5 million. As consideration for the property acquired, the Company (i) granted 51,607 Other Common Units with a fair value of approximately $1.0 million, (ii) paid approximately $0.6 million in cash, (iii) and assumed an approximately $3.9 million mortgage note. The mortgage note was paid in full immediately subsequent to the acquisition. For a discussion of the method used to determine the fair value of the Other Common Units issued, see Note 7.

The table below sets forth the results of operations for the years ended December 31, 2016 and December 31, 2015 for the properties acquired during the years ended December 31, 2016 and December 31, 2015, respectively, included in the Company's Consolidated Statements of Operations from the date of acquisition.

Results of Operations (in thousands)	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 13,105	$ 17,879
Property acquisition costs	$ 4,386	$ 4,382
Net loss	$ 3,560	$ 3,052

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

The following tables set forth pro forma information for the years ended December 31, 2016 and December 31, 2015. The below pro forma information does not purport to represent what the actual results of operations of the Company would have been had the acquisitions outlined above occurred on the first day of the applicable reporting period, nor do they purport to predict the results of operations of future periods. The pro forma information has not been adjusted for property sales.

Pro Forma (in thousands) [1]	Year ended December 31, 2016	
Total revenue	$ 277,811	
Net income	$ 46,139	[2]
Net income attributable to common stockholders	$ 30,269	

Pro Forma (in thousands) [3]	Year ended December 31, 2015	
Total revenue	$ 282,235	
Net loss	$ 42,617	[2]
Net loss attributable to common stockholders	$ 53,850	

(1) The unaudited pro forma information for the year ended December 31, 2016 is presented as if the properties acquired during the year ended December 31, 2016 had occurred at January 1, 2015, the beginning of the reporting period prior to acquisition.

(2) The net loss for the year ended December 31, 2016 excludes approximately $4.4 million of property acquisition costs related to the acquisition of buildings that closed during the year ended December 31, 2016, and the net loss for the year ended December 31, 2015 was adjusted to include these acquisition costs. Net loss for the year ended December 31, 2015 excludes approximately $4.4 million of property acquisition costs related to the acquisition of buildings that closed during the year ended December 31, 2015.

(3) The unaudited pro forma information for the year ended December 31, 2015 is presented as if the properties acquired during the year ended December 31, 2016 and the properties acquired during the year ended December 31, 2015 had occurred at January 1, 2015 and January 1, 2014, respectively, the beginning of the reporting period prior to acquisition.

Dispositions

During the year ended December 31, 2016, the Company sold 24 buildings comprised of approximately 4.2 million square feet with a net book value of approximately $90.3 million to third parties. These buildings contributed approximately $11.2 million to revenue (exclusive of termination income and acceleration of straight line rent) and approximately $1.3 million to net income (exclusive of termination income, acceleration of straight line rent, loss on impairments, loss on extinguishment of debt, and gain on the sales of rental property, net) for the year ended December 31, 2016. Net proceeds from the sales of rental property were approximately $152.1 million and the Company recognized a gain on the sales of rental property, net of approximately $61.8 million for the year ended December 31, 2016. All of the dispositions were accounted for under the full accrual method.

During the year ended December 31, 2015, the Company sold six buildings comprised of approximately 0.8 million square feet with a net book value of approximately $17.2 million to third parties. These buildings contributed approximately $2.0 million to revenue (exclusive of termination income and acceleration of straight line rent and above market rent) and approximately $0.8 million to net income (exclusive of loss on impairments, gain on the sales of rental property, net, termination income, and acceleration of straight line rent and lease intangibles) for the year ended December 31, 2015. Net proceeds from the sales of rental property were approximately $22.2 million and the Company recognized a gain on the sales of rental property, net of approximately $5.0 million for the year ended December 31, 2015. All of the dispositions were accounted for under the full accrual method.

During the year ended December 31, 2014, the Company sold four buildings comprised of approximately 0.4 million square feet with a net book value of approximately $10.2 million to third parties. These buildings contributed approximately $1.2 million to revenue (exclusive of termination income and acceleration of straight line rent and above market rent) and approximately $0.2 million to net income (exclusive of gain on the sales of rental property, net, loss on impairments, termination income and acceleration of straight line rent and above market rent) for the year ended December 31, 2014. Net proceeds from the sales of rental property were approximately $13.0 million and the Company recognized a gain on the sales of rental property, net of approximately $2.8 million for the year ended December 31, 2014. All of the dispositions were accounted for under the full accrual method.

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

Loss on Impairments

The Company regularly reviews its portfolio and identifies properties for potential disposition. The Company reviews its current properties for disposition to realize value created in the portfolio and enhance the quality of the portfolio by disposing of underperforming assets. As a result of this regular review, several properties were tested for impairment due to the change in the Company's estimated hold period of those properties.

The following table summarizes the Company's loss on impairments for assets held and used during the year ended December 31, 2016.

Property Location	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation(1)		Valuation technique utilized to estimate fair value		Fair Value(2)	Loss on Impairments
						(in thousands)	
Fairfield, VA	1	Change in estimated hold period	(3)	Executed purchase and sale agreement			
Jackson, MS	1	Change in estimated hold period	(3)	Executed purchase and sale agreement			
Jackson, MS	1	Change in estimated hold period	(3)	Executed purchase and sale agreement			
Mishawaka, IN	1	Market leasing conditions	(3)	Discounted cash flows	(4)		
Newark, DE	1	Market leasing conditions		Discounted cash flows	(4)		
Seville, OH	2	Market leasing conditions		Discounted cash flows	(4)		
Sparks, MD	2	Change in estimated hold period		Discounted cash flows	(4)		
Three months ended June 30, 2016						$10,598	$ 11,231
Boardman, OH	1	Change in estimated hold period		Discounted cash flows	(5)		
Holland, MI	1	Change in estimated hold period	(3)	Discounted cash flows	(5)		
Pensacola, FL	1	Change in estimated hold period	(3)	Discounted cash flows	(5)		
Three months ended December 31, 2016						$4,360	$ 5,614
Year ended December 31, 2016						$14,958	$ 16,845

(1) The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows.
(2) The estimated fair value of the property is based on Level 3 inputs and is a non-recurring fair value measurement.
(3) This property was sold during the year ended December 31, 2016.
(4) Level 3 inputs used to determine fair value for the properties impaired for the three months ended June 30, 2016: discount rates ranged from 8.5% to 13.0% and exit capitalization rates ranged from 8.5% to 12.0%.
(5) Level 3 inputs used to determine fair value for the properties impaired for the three months ended December 31, 2016: discount rate of 12.0% and exit capitalization rates ranging from 10.0% to 12.0%.

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the Company's loss on impairments for assets held and used during the year ended December 31, 2015.

Property Location	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation[1]		Valuation technique utilized to estimate fair value		Fair Value[2]	Loss on Impairments
						(in thousands)	
Hazelwood, MO	1	Change in estimated hold period	(3)	Executed purchase and sale agreement			
Three months ended June 30, 2015						$4,400	$ 2,645
Canton, OH	1	Change in estimated hold period	(4)	Discounted cash flows	(5)		
Jefferson, NC	1	Change in estimated hold period	(3)	Market transactions for comparable properties			
Milwaukee, WI	1	Change in estimated hold period	(3)	Market transactions for comparable properties			
Three months ended September 30, 2015						6,515	5,733
Canton, OH	1	Change in estimated hold period	(6)	Market transactions for comparable properties	(7)		
Cincinnati, OH	1	Change in estimated hold period		Discounted cash flows	(8)		
Dayton, OH	1	Change in estimated hold period	(6)	Discounted cash flows	(8)		
Gloversville, NY	1	Change in estimated hold period	(6)	Discounted cash flows	(8)		
Jackson, MS	1	Change in estimated hold period	(6)	Discounted cash flows	(8)		
Jackson, MS	1	Change in estimated hold period	(6)	Discounted cash flows	(8)		
Rapid City, SD	1	Change in estimated hold period		Discounted cash flows	(8)		
Sergeant Bluff, IA	1	Change in estimated hold period		Discounted cash flows	(8)		
Sparks, MD	2	Change in estimated hold period		Discounted cash flows	(8)		
Three months ended December 31, 2015						22,238	20,894
Year ended December 31, 2015						$33,153	$ 29,272

(1) The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows.
(2) The estimated fair value of the property is based on Level 3 inputs and is a non-recurring fair value measurement.
(3) This property was sold during the year ended December 31, 2015.
(4) The letter of intent for the property included various contingencies, and was terminated subsequent to September 30, 2015.
(5) Level 3 inputs used to determine fair value: discount rate of 9.0% and exit capitalization rate of 12.0%
(6) This property was sold during the year ended December 31, 2016.
(7) The future cash flows of the existing building were not estimated to generate a net positive cash flow. Accordingly, the property was valued at its highest and best use as a vacant/developable land parcel. Market transactions for comparable properties were utilized to estimate a land value. Estimated fair market value of the property represents the land value, less estimated expense of demolition of the building, plus estimated salvage value.
(8) Level 3 inputs used to determine fair value for the properties impaired for the three months ended December 31, 2015: discount rates ranged from 8.5% to 16.0% and exit capitalization rates ranged from 8.0% to 14.0%.

On October 29, 2014, the Company entered into a lease termination agreement with the tenant located at the Tavares, FL property. The agreement provided that the tenant's lease termination was contingent upon the sale of the property and required the tenant to pay a termination fee of approximately $2.4 million, including reimbursement of costs related to the sale of the property. The tenant's termination, which was effective December 30, 2014, triggered the Company to test the property for impairment. The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows. Accordingly, the property was written down to its estimated fair value of approximately $2.5 million based on pricing obtained from third party market participants and the Company recorded an impairment loss of approximately $2.8 million. This loss was recorded in loss on impairments on the accompanying Consolidated Statements of Operations for the three months ended December 31, 2014. The fair value of the property is based on Level 3 inputs and this is a non-recurring fair value measurement.

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

Involuntary Conversion

On September 1, 2016 the Company had an involuntary conversion event, and the Company recorded an estimated loss on involuntary conversion of approximately $2.8 million for the year ended December 31, 2016. The Company's insurance policy provides coverage for these losses, and accordingly the loss on involuntary conversion was fully offset by the expected insurance proceeds. As of December 31, 2016, the remaining proceeds receivable from the insurance company are estimated to be approximately $1.4 million, which are included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets.

Deferred Leasing Intangibles

The following table summarizes the deferred leasing intangibles on the accompanying Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015.

	December 31, 2016			December 31, 2015		
Deferred Leasing Intangibles (in thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Above market leases	$70,668	$ (32,868)	$37,800	$69,815	$ (31,554)	$38,261
Other intangible lease assets	461,321	(204,588)	256,733	407,215	(169,204)	238,011
Total deferred leasing intangible assets	$531,989	$ (237,456)	$294,533	$477,030	$ (200,758)	$276,272
Below market leases	$30,791	$ (10,450)	$20,341	$19,923	$ (8,536)	$11,387
Total deferred leasing intangible liabilities	$30,791	$ (10,450)	$20,341	$19,923	$ (8,536)	$11,387

The following table sets forth the amortization expense and the net decrease to rental income for the amortization of deferred leasing intangibles during the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

	Year ended December 31,		
Deferred Leasing Intangibles Amortization (in thousands)	2016	2015	2014
Net decrease to rental income related to above and below market lease amortization	$ 6,213	$ 8,526	$ 6,254
Amortization expense related to other intangible lease assets	$ 66,291	$ 60,834	$ 50,319

The following table sets forth the amortization of deferred leasing intangibles over the next five years as of December 31, 2016.

Year	Amortization Expense Related to Other	Net Decrease to Rental Income Related to

	Intangible Lease Assets (in thousands)	Above and Below Market Lease Amortization (in thousands)
2017	$ 63,474	$ 4,514
2018	$ 50,375	$ 3,383
2019	$ 38,258	$ 2,813
2020	$ 29,681	$ 2,402
2021	$ 20,915	$ 1,288

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

4. Debt

The following table sets forth a summary of the Company’s outstanding indebtedness, including borrowings under the Company’s unsecured credit facility, unsecured term loans, unsecured notes and mortgage notes as of December 31, 2016 and December 31, 2015.

Loan	Principal outstanding as of December 31, 2016 (in thousands)	Principal outstanding as of December 31, 2015 (in thousands)	Interest Rate (1)		Current Maturity	Prepayment Terms (2)
Unsecured credit facility:						
Unsecured Credit Facility (3)	$ 28,000	$ 56,000	L + 1.15%		Dec-18-2019	i
Total unsecured credit facility	28,000	56,000				
Unsecured term loans:						
Unsecured Term Loan C	150,000	—	L + 1.30%		Sep-29-2020	i
Unsecured Term Loan B	150,000	150,000	L + 1.30%		Mar-21-2021	i
Unsecured Term Loan A	150,000	150,000	L + 1.30%		Mar-31-2022	i
Total unsecured term loans	450,000	300,000				
Less: Total unamortized deferred financing fees and debt issuance costs	(3,392)	(3,382)				
Total carrying value unsecured term loans	446,608	296,618				
Unsecured notes:						
Series F Unsecured Notes	100,000	100,000	3.98	%	Jan-05-2023	ii
Series A Unsecured Notes	50,000	50,000	4.98	%	Oct-1-2024	ii
Series D Unsecured Notes	100,000	100,000	4.32	%	Feb-20-2025	ii
Series B Unsecured Notes	50,000	50,000	4.98	%	Jul-1-2026	ii
Series C Unsecured Notes	80,000	80,000	4.42	%	Dec-30-2026	ii
Series E Unsecured Notes	20,000	20,000	4.42	%	Feb-20-2027	ii
Total unsecured notes	400,000	400,000				
Less: Total unamortized deferred financing fees and debt issuance costs	(2,034)	(2,280)				
Total carrying value unsecured notes	397,966	397,720				
Mortgage notes (secured debt):						
Sun Life Assurance Company of Canada (U.S.)	—	3,229	6.05	%	Jun-1-2016	iii
Webster Bank, National Association	—	5,513	4.22	%	Aug-4-2016	iii
National Life Insurance Company	—	4,775	5.75	%	Aug-10-2016	iii

Union Fidelity Life Insurance Co.	5,384	5,754	5.81	%	Apr-30-2017	iv
Principal Life Insurance Company	—	5,676	5.73	%	May-05-2017	iii
Webster Bank, National Association	2,853	2,945	3.66	%	May-29-2017	iii
Webster Bank, National Association	3,073	3,172	3.64	%	May-31-2017	iii
Wells Fargo, National Association	4,043	4,115	5.90	%	Aug-1-2017	v
Connecticut General Life Insurance Company -1 Facility	35,320	57,171	6.50	%	Feb-1-2018	vi
Connecticut General Life Insurance Company -2 Facility	36,892	58,085	5.75	%	Feb-1-2018	vi
Connecticut General Life Insurance Company -3 Facility	16,141	16,401	5.88	%	Feb-1-2018	vi
Wells Fargo, National Association CMBS Loan	56,608	63,897	4.31	%	Dec-1-2022	vii
Thrivent Financial for Lutherans	4,012	—	4.78	%	Dec-15-2023	iii
Total mortgage notes	164,326	230,733				
Total unamortized fair market value premiums	112	447				
Less: Total unamortized deferred financing fees and debt issuance costs	(873)	(1,270)				
Total carrying value mortgage notes	163,565	229,910				
Total / weighted average interest rate (4)	$ 1,036,139	$ 980,248	3.75	%		

(1) Current interest rate as of December 31, 2016. At December 31, 2016 and December 31, 2015, the one-month LIBOR (“L”) was 0.77167% and 0.42950%, respectively. The current interest rate is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

(2) Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without penalty three months prior to the maturity date; (iv) pre-payable without penalty two months prior to the maturity date; (v) pre-payable without penalty three months prior to the maturity date; however, can be defeased; (vi) pre-payable without penalty six months prior to the maturity date; and (vii) pre-payable without penalty three months prior to the maturity date; however, can be defeased beginning January 1, 2016.

(3) The capacity of the unsecured credit facility is currently $450.0 million.

(4) The weighted average interest rate was calculated using the fixed interest rate swapped on the current notional amount of $450.0 million of debt, and is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

The aggregate undrawn nominal commitments on the unsecured credit facility as of December 31, 2016 was approximately $418.5 million, including issued letters of credit. The Company's actual borrowing capacity at any given point in time may be less and is restricted to a maximum amount based on the Company's debt covenant compliance. Total accrued interest for the Company's indebtedness was approximately $5.7 million and $3.8 million as of December 31, 2016 and December 31, 2015, respectively, and is included in accounts payable, accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets.

Deferred financing fees and debt issuance costs, net of accumulated amortization included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets were approximately $2.3 million and $3.0 million as of December 31, 2016 and December 31, 2015, respectively. Deferred financing fees and debt issuance costs, net of accumulated amortization included as a direct deduction from the related debt liability on the accompanying Consolidated Balance Sheets were approximately $6.3 million and $6.9 million as of December 31, 2016 and December 31, 2015, respectively. For the years ended December 31, 2016, December 31, 2015, and December 31, 2014, amortization of deferred financing fees and debt issuance costs included in interest expense in the accompanying Consolidated Statements of Operations was approximately $1.9 million, $1.5 million and $1.3 million, respectively. Also included in interest expense is approximately $1.0 million, $0.7 million, and $0.1 million of facility fees related to the Company's unsecured credit facility for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, respectively.

2016 Debt Activity

On December 29, 2016, the Company drew the unsecured term loan with Wells Fargo, National Association and other lenders ("Unsecured Term Loan C") in the amount of $150.0 million. The Company incurred approximately $0.3 million and $26,000 in unused fees related to the Unsecured Term Loan C for the years ended December 31, 2016 and December 31, 2015, respectively.

On December 20, 2016, the Company amended and restated the unsecured term loans with Wells Fargo, National Association and other lenders ("Unsecured Term Loan A" and "Unsecured Term Loan B"). The transaction reduced the spread over the applicable rate, which is based on the Company's consolidated leverage ratio, as defined in the loan agreement, with no changes to maturity dates or other material terms of the loan. The spread over the LIBOR for the Unsecured Term Loan A was reduced from 1.65% to 1.30%, and the spread over the LIBOR for the Unsecured Term Loan B was reduced from 1.70% to 1.30%, assuming the most recently reported consolidated leverage ratios.

On December 8, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 2) was partially paid in the amount of approximately $3.6 million in connection with the sale of the Georgetown, KY property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately $0.1 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On November 14, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 2) was partially paid in the amount of approximately $6.2 million in connection with the sale of the Conyers, GA property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately $0.2 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On November 14, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 1) was partially paid in the amount of approximately $21.0 million in connection with the sale of the Charlotte, NC property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately $0.9 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On November 14, 2016, the mortgage note held with Principal Life Insurance Company, for which the property located in Conyers, GA served as collateral for the mortgage note, was paid in full. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately $0.1 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On September 29, 2016, the Company assumed a mortgage note held with Thrivent Financial for Lutherans of approximately $4.0 million in connection with the acquisition of the property located in Rock Hill, SC, which serves as collateral for the debt. The debt matures on December 15, 2023 and bears interest at 4.78% per annum. The assumed debt was recorded at fair value and a fair value premium of approximately $0.1 million was recorded. The fair value of debt was determined by discounting the future cash flows using the then current rate of approximately 4.45% at which loans would be made to borrowers with similar credit ratings for loans with similar remaining maturities, similar terms, and similar loan-to-value ratios. The fair value of the debt is based on Level 3 inputs and is a nonrecurring fair value measurement.

On June 22, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the amount of approximately $1.5 million in connection with the sale of the Gloversville, NY property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately $0.3 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

On May 18, 2016, the mortgage note held with National Life Insurance Company, for which the property located in Charlotte, NC served as collateral, was paid in full.

On May 5, 2016, the mortgage note held with Webster Bank, National Association, for which the property located in Norton, MA served as collateral, was paid in full.

On April 26, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the
amount of approximately $1.7 million in connection with the sale of the Parsons, KS property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately $0.2 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

On April 26, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the
amount of approximately $1.8 million in connection with the sale of the Kansas City, KS property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately $0.3 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

On March 17, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 2) was partially paid in the amount of approximately $10.5 million in connection with the sale of the Gresham, OR property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately $0.9 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations during the year ended December 31, 2016.

On March 3, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the amount of approximately $1.2 million in connection with the sale of the Wichita, KS property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately $0.2 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations during the year ended December 31, 2016.

On March 1, 2016 the mortgage note held with Sun Life Assurance Company of Canada (U.S.), for which the property located in Gahanna, OH served as collateral, was paid in full.

2015 Debt Activity

On January 22, 2015, the Company assumed a mortgage note of approximately $11.8 million in connection with the acquisition of the Burlington, NJ property. The mortgage note was paid in full immediately subsequent to the acquisition.

On February 20, 2015, the Company issued $100 million of its 4.32% Series D 10-year unsecured notes ("Series D Unsecured Notes") and $20 million of its 4.42% Series E 12-year unsecured notes ("Series E Unsecured Notes").

On June 25, 2015, the Company assumed a mortgage note with National Life Insurance Company of approximately $4.9 million in connection with the acquisition of the property located in Charlotte, NC, which serves as collateral for the debt. The debt matures on August 10, 2016 and bears interest at 5.75% per annum. The assumed debt was recorded at fair value and a fair value premium of approximately $0.1 million was recorded. The fair value of debt was determined by discounting the future cash flows using the then current rate of approximately 3.05% at which loans would be made to borrowers with similar credit ratings for loans with

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Notes to Consolidated Financial Statements (Continued)

similar remaining maturities, similar terms, and similar loan-to-value ratios. The fair value of the debt is based on Level 3 inputs and is a non-recurring fair value measurement.

On September 29, 2015, the Company assumed a mortgage note with Principal Life Insurance Company of approximately $5.7 million in connection with the acquisition of the property located in Conyers, GA, which serves as collateral for the debt. The debt matures on May 5, 2017 and bears interest at 5.73% per annum. The assumed debt was recorded at fair value and a fair value premium of approximately $0.3 million was recorded. The fair value of debt was determined by discounting the future cash flows using the then current rate of approximately 2.64% at which loans would be made to borrowers with similar credit ratings for loans with similar remaining maturities, similar terms, and similar loan-to-value ratios. The fair value of the debt is based on Level 3 inputs and is a non-recurring fair value measurement.

On September 29, 2015, the Company entered into an amendment to the current unsecured credit facility with Wells Fargo, N.A. ("Unsecured Credit Facility") to increase the capacity thereunder to $450.0 million. Additionally, the accordion feature that allows the Company to request an increase in the aggregate commitments (subject to satisfaction of conditions and lender consent) was increased, such that if the accordion were exercised in full, total capacity would be $800.0 million. The material terms of the agreement, including the financial covenants, were unchanged. The Company incurred approximately $1.0 million in deferred financing fees, which are amortized over the remaining term of the Unsecured Credit Facility.

On September 29, 2015, the Company closed the $150.0 million Unsecured Term Loan C with the following terms.

Applicable Terms	Unsecured Term Loan C
Maturity Date:	Sep-29-2020
Eurodollar Rate(1):	L + 130.0 bps - 190.0 bps
Base Rate(1):	Base rate + 30.0 bps - 90.0 bps
Unused Fees(2):	17.5 bps
Annual Fee:	$50,000

(1) The spread over the applicable rate is currently based on the Company's consolidated leverage ratio, as defined in the loan agreement.

(2) The unused fees began to accrue on November 29, 2015 and were due and payable monthly until all commitments were drawn.

The Unsecured Term Loan C has an accordion feature that allows the Company to increase its borrowing capacity to $250.0 million, subject to the satisfaction of certain conditions and lender consents. The Company incurred $1.0 million in deferred financing fees associated with the closing of the Unsecured Term Loan C, which are amortized over its five year term. The agreement includes a delayed draw feature that allowed the Company to draw up to six advances of at least $25.0 million each. As noted above, the Company drew the full $150.0 million of the Unsecured Term Loan C on December 29, 2016. The Company and certain wholly owned subsidiaries of the Operating Partnership are guarantors of the Unsecured Term Loan C. The agreement also contains financial covenants substantially similar to the financial covenants in the Unsecured Credit Facility.

On December 1, 2015, the Company entered into a Note Purchase Agreement (“NPA”) for a $100.0 million private placement by the Operating Partnership of $100.0 million senior unsecured notes (“Series F Unsecured Notes”). Pursuant to the NPA, borrowings under the Series F Unsecured Notes bear interest at a fixed rate of 3.98%. The Series F Unsecured Notes were issued on December 15, 2015. Upon all the funds being drawn, the Company paid a placement fee equal to 0.50% of the principal amount of the securities purchased by investors. The Company and certain wholly owned subsidiaries of the Operating Partnership are guarantors of the Series F Unsecured Note and the obligations under the Series F Unsecured Notes rank pari passu to the Company’s unsecured senior indebtedness, which includes the Wells Fargo Unsecured Credit Facility and unsecured term loans. The Company incurred approximately $0.6 million in deferred financing fees associated with the Series F Unsecured Notes, which are amortized over the seven year term.

On December 1, 2015, the Company amended the terms of the NPAs entered into on April 16, 2014 and December 18, 2014. The second amendment to the April 16, 2014 NPA and the first amendment to the December 18, 2014 NPA amended certain provisions to conform them to the provisions in the NPA entered into on December 1, 2015.

On December 11, 2015, the Company assumed a mortgage note of approximately $3.9 million in connection with the acquisition of the Laurens, SC property. The mortgage note was paid in full immediately subsequent to the acquisition.

On December 16, 2015, the Company drew the Unsecured Term Loan B in the amount of $150.0 million.

Financial Covenant Considerations

The Company's ability to borrow under the unsecured credit facility, unsecured term loans, and unsecured notes are subject to its ongoing compliance with a number of customary financial covenants, including:

- a maximum consolidated leverage ratio of not greater than 0.60:1.00;
- a maximum secured leverage ratio of not greater than 0.40:1.00;
- a maximum unencumbered leverage ratio of not greater than 0.60:1.00;
- a maximum secured recourse debt level of not greater than 0.075:1.00;
- a minimum fixed charge ratio of not less than 1.50:1.00;
- a minimum unsecured interest coverage ratio of not less than 1.75:1.00; and
- a minimum tangible net worth covenant test.

The unsecured notes are also subject to a minimum interest coverage ratio of not less than 1.50:1.00. The Company was in compliance with all such applicable restrictions and financial covenants as of December 31, 2016 and December 31, 2015. In the event of a default under the unsecured credit facility or the unsecured term loans, the Company's dividend distributions are limited to the minimum amount necessary for the Company to maintain its status as a REIT.

Each of the Company's mortgage notes has specific properties and assignments of rents and leases that are collateral for these loans. These debt facilities contain certain financial and other covenants. The Company was in compliance with all such applicable restrictions and financial covenants as of December 31, 2016 and December 31, 2015. The real estate net book value of the properties that are collateral for the Company's mortgage notes was approximately $229.9 million and $268.8 million at December 31, 2016 and December 31, 2015, respectively, and is limited to senior, property-level secured debt financing arrangements. The 17 properties held as collateral for the facilities with Connecticut General Life Insurance Company are cross-defaulted and cross-collateralized among the respective facilities.

Fair Value of Debt

The fair value of the Company's debt is determined by discounting the future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings for loans with similar remaining maturities, similar terms, and similar loan-to-value ratios. The discount rates ranged from approximately 1.92% to 4.85% and 1.58% to 4.82% at December 31, 2016 and December 31, 2015, respectively, and were applied to each individual debt instrument. The applicable fair value guidance establishes a three tier value hierarchy, which prioritizes the inputs used in measuring fair value. The fair value of the Company's debt is based on Level 3 inputs. The following table presents the aggregate principal outstanding of the Company's debt and the corresponding estimate of fair value as of December 31, 2016 and December 31, 2015 (in thousands).

	December 31, 2016		December 31, 2015	
	Principal Outstanding	Fair Value	Principal Outstanding	Fair Value
Unsecured credit facility	$28,000	$28,000	$56,000	$56,000
Unsecured term loans	450,000	450,000	300,000	303,457
Unsecured notes	400,000	399,091	400,000	392,054
Mortgage notes	164,326	166,099	230,733	237,327
Total principal amount	1,042,326	$1,043,190	986,733	$988,838
Add: Total unamortized fair market value premiums	112		447	
Less: Total unamortized deferred financing fees and debt issuance costs	(6,299)		(6,932)	
Total carrying value	$1,036,139		$980,248	

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Future Principal Payments of Debt
The following table reflects the Company’s aggregate future principal payments of the Company’s debt at December 31, 2016.

Year	Future Principal Payments of Debt (in thousands)
2017	$ 18,737
2018	88,578
2019	29,926
2020	152,006
2021	152,103
Thereafter	600,976
Total aggregate principal payments	1,042,326
Total unamortized fair market value premiums	112
Less: Total unamortized deferred financing fees and debt issuance costs	(6,299)
Total carrying value	$ 1,036,139

5. Use of Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company’s use of derivative instruments is limited to the utilization of interest rate swaps to manage interest rate risk exposure on existing and future liabilities and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and related costs associated with the Company’s operating and financial structure.

The following table details the Company’s outstanding interest rate swaps as of December 31, 2016.

Interest Rate Derivative Counterparty	Trade Date	Effective Date	Notional Amount (in thousands)	Fair Value (in thousands)	Pay Fixed Interest Rate	Receive Variable Interest Rate	Maturity Date
PNC Bank, N.A.	Sep-14-2012	Oct-10-2012	$ 10,000	$ 6	0.7945 %	One-month L	Sep-10-2017
Bank of America, N.A.	Sep-14-2012	Oct-10-2012	$ 10,000	$ 6	0.7945 %	One-month L	Sep-10-2017
UBS AG	Sep-14-2012	Oct-10-2012	$ 10,000	$ 6	0.7945 %	One-month L	Sep-10-2017
Royal Bank of Canada	Sep-14-2012	Oct-10-2012	$ 10,000	$ 6	0.7945 %	One-month L	Sep-10-2017
RJ Capital Services, Inc.	Sep-14-2012	Oct-10-2012	$ 10,000	$ 5	0.7975 %	One-month L	Sep-10-2017
Bank of America, N.A.	Sep-20-2012	Oct-10-2012	$ 25,000	$ 21	0.7525 %	One-month L	Sep-10-2017
RJ Capital Services, Inc.	Sep-24-2012	Oct-10-2012	$ 25,000	$ 26	0.7270 %	One-month L	Sep-10-2017
Regions Bank	Mar-01-2013	Mar-01-2013	$ 25,000	$ 131	1.3300 %	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Jul-01-2013	$ 50,000	$ (274)	1.6810 %	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Aug-01-2013	$ 25,000	$ (154)	1.7030 %	One-month L	Feb-14-2020
Regions Bank	Sep-30-2013	Feb-03-2014	$ 25,000	$ (378)	1.9925 %	One-month L	Feb-14-2020
The Toronto-Dominion Bank	Oct-14-2015	Sep-29-2016	$ 25,000	$ 217	1.3830 %	One-month L	Sep-29-2020

PNC Bank, N.A.	Oct-14-2015	Sep-29-2016	$ 50,000	$ 421	1.3906 %	One-month L	Sep-29-2020
Regions Bank	Oct-14-2015	Sep-29-2016	$ 35,000	$ 292	1.3858 %	One-month L	Sep-29-2020
U.S. Bank, N.A.	Oct-14-2015	Sep-29-2016	$ 25,000	$ 207	1.3950 %	One-month L	Sep-29-2020
Capital One, N.A.	Oct-14-2015	Sep-29-2016	$ 15,000	$ 123	1.3950 %	One-month L	Sep-29-2020
Royal Bank of Canada	Jan-08-2015	Mar-20-2015	$ 25,000	$ (16)	1.7090 %	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Mar-20-2015	$ 25,000	$ (18)	1.7105 %	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Sep-10-2017	$ 100,000	$ (1,240)	2.2255 %	One-month L	Mar-21-2021
Wells Fargo, N.A.	Jan-08-2015	Mar-20-2015	$ 25,000	$ 4	1.8280 %	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jan-08-2015	Feb-14-2020	$ 25,000	$ (50)	2.4535 %	One-month L	Mar-31-2022
Regions Bank	Jan-08-2015	Feb-14-2020	$ 50,000	$ (133)	2.4750 %	One-month L	Mar-31-2022
Capital One, N.A.	Jan-08-2015	Feb-14-2020	$ 50,000	$ (175)	2.5300 %	One-month L	Mar-31-2022

On October 24, 2014, the Company entered into two forward starting interest rate swap agreements for a total notional amount of $170.0 million to hedge the risk of changes in the interest-related cash flows associated with the potential issuance of long-term debt. The forward starting swaps were designated as cash flow hedges of interest rate risk and were terminated on November 21, 2014. The Company paid a termination payment of approximately $0.4 million to the two counterparties. The forward starting

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interest rate swaps effectively removed the exposure to the variability in future cash flows of the Series D Unsecured Notes, and the $80 million series C 12-year unsecured notes ("Series C Unsecured Notes") and Series E Unsecured Notes at 2.452% and 2.615%, respectively. The settlement value of approximately $0.4 million was recorded in accumulated other comprehensive loss in the Consolidated Balance Sheets and will be amortized through interest expense over the life of the respective unsecured notes. The Series C Unsecured Notes were issued on December 30, 2014 and the Series D Unsecured Notes and the Series E Unsecured Notes were issued on February 20, 2015 (refer to Note 4 for further details).

The fair value of the interest rate swaps outstanding as of December 31, 2016 and December 31, 2015 was as follows.

Balance Sheet Line Item (in thousands)	Notional Amount December 31, 2016	Fair Value December 31, 2016	Notional Amount December 31, 2015	Fair Value December 31, 2015
Interest rate swaps-Asset	$ 300,000	$ 1,471	$ 275,000	$ 1,867
Interest rate swaps-Liability	$ 375,000	$ (2,438)	$ 400,000	$ (3,766)

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate swaps are to add stability to interest expense and to manage its exposure to interest rate movements. The Company uses interest rate swaps to fix the rate of its long term variable rate debt. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges is recorded in accumulated other comprehensive loss and will be reclassified to interest expense in the period that the hedged forecasted transaction affects earnings on the Company's variable rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings into interest expense. For the year ended December 31, 2016, the Company recorded a gain of $0.1 million of hedge ineffectiveness in interest expense due to short-term, partial mismatches in notional amounts. For the years ended December 31, 2015 and December 31, 2014, the Company did not record any hedge ineffectiveness related to the hedged derivatives.

The Company estimates that approximately $2.4 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense over the next 12 months.

The table below details the location in the financial statements of the gain or loss recognized on interest rate swaps designated as cash flow hedges for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, (in thousands).

	Year ended December 31,		
	2016	2015	2014
Amount of loss recognized in accumulated other comprehensive loss on interest rate swaps (effective portion)	$2,244	$5,387	$6,705
Amount of loss reclassified from accumulated other comprehensive loss into income (loss) as interest expense (effective portion)	$3,142	$3,431	$2,508
	$66	$—	$—

Amount of gain recognized in interest expense (ineffective portion and amount excluded from effectiveness testing)

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

As of December 31, 2016, the fair values of 13 of the 23 of the Company’s interest rate swaps were in an asset position of approximately \$1.5 million and 10 interest rate swaps were in a liability position of approximately \$2.5 million, excluding any adjustment for nonperformance risk related to these agreements. The adjustment for nonperformance risk included in the fair value of the Company’s net asset position and net liability position was approximately \$13,000 and \$0.1 million, respectively, as of December 31, 2016. Accrued interest expense for the Company's interest rate swaps was approximately \$40,000 as of December 31, 2016 and is included in accounts payable, accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets. As of December 31, 2016, the Company has not posted any collateral related to these agreements. If the Company had breached any of its provisions at December 31, 2016, it could have been required to settle its obligations under the agreement of the interest rate swaps in a liability position plus accrued interest for approximately $2.6 million.

Fair Value of Interest Rate Swaps

The Company's valuation of the interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs including interest rate curves. The fair values of interest rate swaps are determined by using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2016 and December 31, 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following sets forth the Company's financial instruments that are accounted for at fair value on a recurring basis as of December 31, 2016 and December 31, 2015.

		Fair Value Measurements as of December 31, 2016 Using		
Balance Sheet Line Item (in thousands)	Fair Value December 31, 2016	Level 1	Level 2	Level 3
Interest rate swaps-Asset	$ 1,471	$ —	$ 1,471	$ —
Interest rate swaps-Liability	$ (2,438)	$ —	$ (2,438)	$ —

		Fair Value Measurements as of December 31, 2015 Using		
Balance Sheet Line Item (in thousands)	Fair Value December 31, 2015	Level 1	Level 2	Level 3
Interest rate swaps-Asset	$ 1,867	$ —	$ 1,867	$ —

Interest rate swaps-Liability	$ (3,766)	$ —	$ (3,766)	$ —

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6. Equity

Preferred Stock

Pursuant to its charter, the Company is authorized to issue 15,000,000 shares of preferred stock, par value $0.01 per share.
On March 17, 2016, the Company completed an underwritten public offering of 3,000,000 shares of the Series C Preferred Stock, $0.01 par value per share, at a price to the public of $25.00 per share. On November 2, 2016, the Company redeemed all of the Series A Preferred Stock. The table below sets forth the Company's outstanding preferred stock issuances as of December 31, 2016.

Preferred Stock Issuances	Issuance Date	Number of Shares	Price and Liquidation Value Per Share	Interest Rate
Series B Cumulative Redeemable Preferred Stock	April 16, 2013	2,800,000	$ 25.00	6.625%
Series C Cumulative Redeemable Preferred Stock	March 17, 2016	3,000,000	$ 25.00	6.875%

Dividends on the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock (collectively, the "Preferred Stock Issuances") are payable quarterly in arrears on or about the last day of March, June, September, and December of each year. The Preferred Stock Issuances rank on parity with each other and rank senior to the Company's common stock with respect to dividend rights and rights upon the liquidation, dissolution or winding up of the Company. The Preferred Stock Issuances have no stated maturity date and are not subject to mandatory redemption or any sinking fund. Generally, the Company is not permitted to redeem the Series B Preferred Stock or the Series C Preferred Stock prior to April 16, 2018 and March 17, 2021, respectively, except in limited circumstances relating to the Company's ability to qualify as a REIT and in certain other circumstances related to a change of control.

The tables below set forth the dividends attributable to the Preferred Stock Issuances during the years ended December 31, 2016 and December 31, 2015.

Quarter Ended 2016	Declaration Date	Series A Preferred Stock Per Share	Series B Preferred Stock Per Share	Series C Preferred Stock Per Share	Payment Date
December 31	November 2, 2016 (1)	$0.19375 (1)	$0.4140625	$0.4296875	December 30, 2016
September 30	August 1, 2016	0.56250	0.4140625	0.4296875	September 30, 2016
June 30	May 2, 2016	0.56250	0.4140625	0.4965300 (2)	June 30, 2016
March 31	February 22, 2016	0.56250	0.4140625	—	March 31, 2016
Total		$1.88125	$1.6562500	$1.3559050	

(1) On September 26, 2016 the board of directors approved the redemption of the Series A Preferred Stock. On November 2, 2016 the Company redeemed all of the Series A Preferred Stock, at a cash redemption price of $25.00 per share, plus accrued and unpaid dividends to but excluding the redemption date, without interest.

(2) Dividends for the Series C Preferred Stock were accrued and cumulative from and including March 17, 2016 to the first payment date on June 30, 2016.

Quarter Ended 2015	Declaration Date	Series A Preferred Stock Per Share	Series B Preferred Stock Per Share	Payment Date

December 31	October 22, 2015	$ 0.5625	$ 0.4140625	December 31, 2015
September 30	July 21, 2015	0.5625	0.4140625	September 30, 2015
June 30	May 4, 2015	0.5625	0.4140625	June 30, 2015
March 31	February 20, 2015	0.5625	0.4140625	March 31, 2015
Total		$ 2.2500	$ 1.6562500	

On February 15, 2017, the Company’s board of directors declared the Series B Preferred Stock and the Series C Preferred Stock dividend for the quarter ending March 31, 2017 at a quarterly rate of $0.4140625 per share and $0.4296875 per share, respectively.

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Common Stock

The following sets forth the Company’s at-the market ("ATM") common stock offering programs as of December 31, 2016.

ATM Stock Offering Program (in thousands)	Date	Maximum Aggregate Offering Price (in thousands)	Aggregate Common Stock Available as of December 31, 2016 (in thousands)
2016 $228 million ATM	November 8, 2016	$ 228,218	$ 117,331

The tables below set forth the activity for the ATM common stock offering programs during the years ended December 31, 2016 and December 31, 2015 (in thousands, except share data).

	Year ended December 31, 2016				
ATM Stock Offering Program	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents’ Fee	Net Proceeds
2016 $228 million ATM	4,763,838	$ 23.28	$ 110,887	$ 1,550	$ 109,337
2016 $200 million ATM(1)	7,326,200	$ 23.45	171,782	2,429	169,353
Total/weighted average	12,090,038	$ 23.38	$ 282,669	$ 3,979	$ 278,690

(1) This program ended before December 31, 2016.

	Year ended December 31, 2015				
ATM Stock Offering Program	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents’ Fee	Net Proceeds
2014 $200 million ATM(1)	2,661,403	$ 21.63	$ 57,571	$ 864	$ 56,707
2014 $150 million ATM(1)	795,000	$ 21.79	17,321	260	17,061
Total/weighted average	3,456,403	$ 21.67	$ 74,892	$ 1,124	$ 73,768

(1) This program ended before December 31, 2016.

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Dividends

The tables below set forth the dividends attributable to the common stock that were declared or paid during the years ended December 31, 2016 and December 31, 2015, respectively.

Month Ended 2016	Declaration Date	Record Date	Per Share	Payment Date
December 31	August 1, 2016	December 30, 2016	$0.115833	January 17, 2017
November 30	August 1, 2016	November 30, 2016	0.115833	December 15, 2016
October 31	August 1, 2016	October 31, 2016	0.115833	November 15, 2016
September 30	May 2, 2016	September 30, 2016	0.115833	October 17, 2016
August 31	May 2, 2016	August 31, 2016	0.115833	September 15, 2016
July 31	May 2, 2016	July 29, 2016	0.115833	August 15, 2016
June 30	February 22, 2016	June 30, 2016	0.115833	July 15, 2016
May 31	February 22, 2016	May 31, 2016	0.115833	June 15, 2016
April 30	February 22, 2016	April 29, 2016	0.115833	May 16, 2016
March 31	October 22, 2015	March 31, 2016	0.115833	April 15, 2016
February 29	October 22, 2015	February 29, 2016	0.115833	March 15, 2016
January 31	October 22, 2015	January 29, 2016	0.115833	February 16, 2016
Total			$1.389996	

Month Ended 2015	Declaration Date	Record Date	Per Share	Payment Date
December 31	July 21, 2015	December 31, 2015	$ 0.1150	January 15, 2016
November 30	July 21, 2015	November 30, 2015	0.1150	December 15, 2015
October 31	July 21, 2015	October 30, 2015	0.1150	November 16, 2015
September 30	May 4, 2015	September 30, 2015	0.1150	October 15, 2015
August 31	May 4, 2015	August 31, 2015	0.1150	September 15, 2015
July 31	May 4, 2015	July 31, 2015	0.1150	August 17, 2015
June 30	February 20, 2015	June 30, 2015	0.1125	July 15, 2015
May 31	February 20, 2015	May 29, 2015	0.1125	June 15, 2015
April 30	February 20, 2015	April 30, 2015	0.1125	May 15, 2015
March 31	October 30, 2014	March 31, 2015	0.1125	April 15, 2015
February 28	October 30, 2014	February 27, 2015	0.1125	March 16, 2015
January 31	October 30, 2014	January 31, 2015	0.1125	February 17, 2015
Total			$ 1.3650	

On November 2, 2016, the Company’s board of directors declared the common stock dividend for the months ending January 31, 2017, February 28, 2017 and March 31, 2017 at a monthly rate of $0.116667 per share of common stock. On February 15, 2017, the Company’s board of directors declared the common stock dividend for the months ending April 30, 2017, May 31, 2017 and June 30, 2017 at a monthly rate of $0.116667 per share of common stock.

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Restricted Stock-Based Compensation

Pursuant to the 2011 Plan, the Company grants restricted shares of common stock to certain employees of the Company. The restricted shares of common stock are subject to time-based vesting. Restricted shares of common stock granted on January 8, 2016, subject to the recipient's continued employment, will vest in four equal installments on January 1 of each year beginning in 2017. Refer to Note 14 for details on restricted shares of common stock granted on January 6, 2017. Holders of restricted shares of common stock have voting rights and rights to receive dividends. Restricted shares of common stock may not be sold, assigned, transferred, pledged or otherwise disposed of and are subject to a risk of forfeiture prior to the expiration of the applicable vesting period. The following table summarizes activity related to the Company's unvested restricted shares of common stock for the years ended December 31, 2016 and December 31, 2015.

Unvested Restricted Shares of Common Stock	Shares
Balance at December 31, 2014	263,916
Granted	94,290 (1)
Vested	(72,185)
Forfeited	(14,906)
Balance at December 31, 2015	271,115
Granted	101,289 (2)
Vested	(98,746)
Forfeited	(1,321)
Balance at December 31, 2016	272,337

(1) The grant date fair value per share was $26.17.
(2) The grant date fair value per share was $17.98.

The unrecognized compensation expense associated with the Company's restricted shares of common stock at December 31, 2016 was approximately $3.3 million and is expected to be recognized over a weighted average period of approximately 2.1 years.
The following table summarizes the fair value at vesting date for the restricted shares of common stock vested during the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

	Year ended December 31,		
	2016	2015	2014
Vested restricted shares of common stock	98,746	72,185	51,885
Fair value of vested restricted shares of common stock (in thousands)	$1,813	$1,751	$1,123

7. Noncontrolling Interest

The Company is structured as an UPREIT, and owns substantially all of its assets and conducts substantially all of its business through its Operating Partnership. The Company's consolidated financial statements include the accounts of the Company, the Operating Partnership and their subsidiaries. The table below summarizes the activity for noncontrolling interest in the Company for the years ended December 31, 2016 and December 31, 2015.

	LTIP Units	Other Common Units	Total Noncontrolling Common Units	Noncontrolling Interest

Balance at December 31, 2014	1,307,036	1,124,813	2,431,849	3.6 %
Granted/Issued	323,069	864,283	1,187,352	N/A
Forfeitures	—	—	—	N/A
Conversions from LTIP units to Other Common Units	(20,000)	20,000	—	N/A
Redemptions from Other Common Units to common stock	—	(90,824)	(90,824)	N/A
Redemption of Other Common Units for cash	—	(2,400)	(2,400)	N/A
Balance at December 31, 2015	1,610,105	1,915,872	3,525,977	4.9 %
Granted/Issued	176,396	—	176,396	N/A
Forfeitures	—	—	—	N/A
Conversions from LTIP units to Other Common Units	(209,985)	209,985	—	N/A
Redemptions from Other Common Units to common stock	—	(68,492)	(68,492)	N/A
Balance at December 31, 2016	1,576,516	2,057,365	3,633,881	4.3 %

The Company adjusts the carrying value of noncontrolling interest to reflect its share of the book value of the Operating Partnership when there has been a change in the Company's ownership of the Operating Partnership. Such adjustments are recorded to additional paid-in capital as a rebalancing of noncontrolling interest on the accompanying Consolidated Statements of Equity.

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LTIP Units

LTIP units are granted to certain executive officers and senior employees of the Company as part of their compensation, and to independent directors for their service. LTIP units are valued by reference to the value of the Company's common stock and are subject to such conditions and restrictions as the compensation committee of the board of directors may determine, including continued employment or service. LTIP units granted on January 6, 2016 to independent directors, subject to the recipient's continued service, will vest on January 1, 2017. LTIP units granted on January 8, 2016 to certain senior executive officers and senior employees, subject to the recipient's continued employment, will vest quarterly over four years, with the first vesting date being March 31, 2016. LTIP units granted on February 22, 2016 to certain senior executive officers, subject to the recipient's continued employment, will vest quarterly over four years, with the first vesting date being March 31, 2016. Refer to Note 14 for details on the LTIP units granted on January 6, 2017.Vested LTIP units can be converted to Other Common Units on a one-for-one basis once a material equity transaction has occurred that results in the accretion of the member's capital account to the economic equivalent of an Other Common Unit. All LTIP units, whether vested or not, will receive the same monthly per unit distributions as Other Common Units, which equal per share dividends on common stock.

On January 25, 2016, the Company and Geoffrey G. Jervis, the Company's Chief Financial Officer, Executive Vice President and Treasurer, agreed that Mr. Jervis's employment with the Company would terminate effective February 25, 2016. Pursuant to the terms and conditions of the executive employment agreement and LTIP unit agreements between the Company and Mr. Jervis, and the Company's 2015 Outperformance Program ("OPP"), Mr. Jervis received a lump sum cash payment, the continuation of certain insurance benefits, immediate vesting of outstanding LTIP units, and eligibility to receive a pro-rated award payment under the OPP. Accordingly, the Company accelerated the expense recognition of Mr. Jervis's unvested LTIP units in the amount of approximately $1.6 million, which is included in general and administrative expenses for the year ended December 31, 2016 on the accompanying Consolidated Statements of Operations. Additionally, the unrecognized compensation expense associated with Mr. Jervis's participation in the OPP after February 25, 2016 will not be recognized. The Company also incurred approximately $1.5 million related to the lump sum cash payment and continuation of certain insurance benefits, which is included in general and administrative expenses during the year ended December 31, 2016 on the accompanying Consolidated Statements of Operations.

On May 4, 2015, the Company and the Operating Partnership and Benjamin S. Butcher, the Company's Chief Executive Officer, President and Chairman of the Board, entered into an amended and restated employment agreement. The amended and restated agreement is for an initial term of three years. The agreement automatically extends for successive one year terms unless, not fewer than 60 days before the term's end, either party provides a notice of non-renewal to the other party. In connection with the amended and restated agreement, the compensation committee of the board of directors granted Mr. Butcher a retention award of 100,000 LTIP units that vest one-half on the third anniversary of the grant and one-sixth on the fourth, fifth and sixth anniversaries.

On September 8, 2014, the Company executed an employment agreement, effective October 27, 2014, with Jeffrey M. Sullivan to serve as the Company's Executive Vice President, General Counsel, and Secretary for a term of three years commencing on January 1, 2015. During the period October 27, 2014 to December 31, 2014, Mr. Sullivan acted as a special legal advisor to the Company. On October 27, 2014, pursuant to the 2011 Plan, the Company awarded an initial LTIP unit grant equal in value to approximately $0.1 million, which equated to 4,006 LTIP units that will vest over five years in equal installments on a quarterly basis beginning on December 31, 2014. Additionally on October 27, 2014, pursuant to the 2011 Plan, Mr. Sullivan was granted LTIP units equal in value to $0.6 million, which equated to 26,596 LTIP units, which will vest at the end of the initial term of the employment agreement on December

31, 2017.
On September 8, 2014, Kathryn Arnone, Executive Vice President, General Counsel and Secretary of the Company, informed the board of directors of her decision to resign from the Company effective December 31, 2014. On December 15, 2014, Ms. Arnone informed the board of directors that she was resigning immediately. In connection with her resignation, and pursuant to the terms of the LTIP unit agreements (which terms provide for acceleration of vesting in the case of employment termination due to illness), her outstanding unvested LTIP units vested immediately upon her resignation. The Company accelerated the expense recognition of Ms. Arnone’s unvested LTIP units in the amount of approximately $0.9 million, which is included in general and administrative expenses for the year ended December 31, 2014 on the accompanying Consolidated Statements of Operations.

On May 12, 2014, the Company executed an employment agreement with Geoffrey G. Jervis to serve as the Company’s Chief Financial Officer, Executive Vice President and Treasurer for a term of three years. On July 1, 2014, pursuant to the 2011 Plan, the Company awarded an initial LTIP unit grant equal in value to approximately $0.3 million, which equated to 14,850 LTIP units that will vest over five years in equal installments on a quarterly basis beginning on September 30, 2014. Additionally on July 1,

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2014, pursuant to the 2011 Plan, Mr. Jervis was granted LTIP units equal in value to $1.2 million, which equated to 52,106 LTIP units, which will vest at the end of a three years term, running concurrently with the initial term of the employment agreement, which ends on June 30, 2017. Subsequent to December 31, 2015, the Company and Mr. Jervis agreed that Mr. Jervis's employment with the Company would terminate effective February 25, 2016; as discussed above.

On February 7, 2014, Gregory W. Sullivan, the Company's former Chief Financial Officer, Executive Vice President and Treasurer, notified the Company of his intention not to renew his contract at its expiration on April 20, 2014 and he tendered his resignation from his position on April 21, 2014. On April 21, 2014, Mr. Sullivan and the Company executed a consulting agreement, which had an effective date of April 29, 2014, pursuant to which Mr. Sullivan would act as a senior financial advisor to the Company for one year. The consulting agreement modified the vesting terms of Mr. Sullivan's LTIP units previously granted to him as well as the vesting provisions of his share of the Company's 2011 Outperformance Program ("2011 OPP") (refer to Note 12 for further details on the 2011 OPP) that was measured on September 19, 2014. At the time of Mr. Sullivan's contract expiration, he had 82,804 unvested LTIP units and a 14% allocation of the 2011 OPP. The modification to the terms of Mr. Sullivan's LTIP units and his share of the previously unrecognized compensation expense associated with the 2011 OPP were considered a Type III modification, with non-substantive services, in accordance with GAAP. Accordingly, his unvested LTIP units and his share of the previously unrecognized compensation expense associated with 2011 OPP were valued on the effective date of the consulting agreement for approximately $2.0 million and $0.2 million, respectively, and these amounts were expensed upon the effective date of the consulting agreement and included in general and administrative expenses during the year ended December 31, 2014 on the accompanying Consolidated Statements of Operations. The Company expensed dividends in the amount of approximately $0.1 million previously paid to Mr. Sullivan on the unvested LTIP units and this amount is also included in general and administrative expenses during the year ended December 31, 2014 on the accompanying Consolidated Statements of Operations. Additionally the Company incurred approximately $0.7 million of general and administrative expenses during the year ended December 31, 2014 related to his salary, bonus and other benefits that will be received over the term of the consulting agreement.

The LTIP units issued under the 2011 Plan were valued using the Monte Carlo lattice binomial option-pricing model at the grant date. The fair value of the LTIP units are based on Level 3 inputs and are non-recurring fair value measurements. The table below sets forth the assumptions used in valuing such LTIP units for the years ended December 31, 2016 and December 31, 2015.

LTIP Units	Assumptions							
Grant date	February 22, 2016	January 8, 2016	January 6, 2016	May 4, 2015	January 12, 2015	October 27, 2014	July 1, 2014	January 2, 2014
Expected term (years)	10	10	10	10	10	10	10	10
Expected volatility	22.0 %	22.0 %	22.0 %	20.0 %	20.0 %	20 %	40 %	40 %
Expected dividend yield	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %
Risk-free interest rate	1.01 %	1.28 %	1.36 %	0.66 %	0.62 %	0.48 %	0.79 %	0.79 %
Fair value of LTIP units at issuance (in thousands)	$277	$2,254	$390	$2,038	$5,450	$690	$1,542	$4,329
LTIP units at issuance	18,386	135,546	22,464	100,000	223,069	30,602	66,956	224,424
Fair value unit price per LTIP unit at issuance	$15.07	$16.63	$17.36	$20.38	$24.43	$22.56	$23.03	$19.29

The following table summarizes activity related to the Company's unvested LTIP units for the years ended December 31, 2016 and December 31, 2015.

Unvested LTIP Units	LTIP Units
Balance at December 31, 2014	448,887
Granted	323,069
Vested	(237,046)
Forfeited	—
Balance at December 31, 2015	534,910
Granted	176,396
Vested	(307,883)
Forfeited	—
Balance at December 31, 2016	403,423

The unrecognized compensation expense associated with the Company’s LTIP units at December 31, 2016 was approximately $6.6 million and is expected to be recognized over a weighted average period of approximately 2.5 years.

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The following table summarizes the fair value at vesting date for the LTIP units vested during years ended December 31, 2016, December 31, 2015, and December 31, 2014.

	Year ended December 31,		
	2016	2015	2014
Vested LTIP units	307,883	237,046	639,445
Fair value of vested LTIP units (in thousands)	$ 6,393	$ 4,853	$ 14,063

Other Common Units

Other Common Units and shares of the Company's common stock have essentially the same economic characteristics in that Other Common Units directly, and shares of the Company's common stock indirectly, through the Company's interest in the Operating Partnership, share equally in the total net income or loss distributions of the Operating Partnership. Subject to certain restrictions, investors who own Other Common Units have the right to cause the Operating Partnership to redeem any or all of their Other Common Units for cash equal to the then-current value of one share of the Company's common stock, or, at the Company's election, shares of common stock on a one-for-one basis. The value of a share of common stock is calculated as the average common stock closing price on the NYSE for the 10 trading days immediately preceding the redemption notice date. Each Other Common Unit will receive the same monthly distribution as a share of common stock.

As partial consideration for a property acquired on January 22, 2015, the Company granted 812,676 Other Common Units with a fair value of approximately $21.9 million based on the Company's NYSE closing stock price on January 22, 2015. As partial consideration for another property acquired on December 11, 2015, the Company granted 51,607 Other Common Units with a fair value of approximately $1.0 million based on the Company's NYSE closing stock price on December 11, 2015. The number of Other Common Units granted was calculated based on the trailing 10-day average common stock closing price ending on the business day that immediately preceded the grant date. The fair value of the shares of the Other Common Units granted was calculated based on the closing stock price per the NYSE on the grant date multiplied by the number of Other Common Units granted. The issuance of the Other Common Units was effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended. The Company relied on the exemption based on representations given by the holders of the Other Common Units.

8. Equity Incentive Plan

On April 1, 2011, the Company adopted, and the Company's stockholders approved, the 2011 Plan. The 2011 Plan provides for the issuance of equity-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock awards and other awards based on shares of the Company's common stock, such as LTIP units in the Operating Partnership, that may be made by the Company directly to the executive officers, directors, employees and other individuals providing bona fide services to or for the Company.

Subject to certain adjustments identified within the 2011 Plan, the aggregate number of shares of the Company's common stock that may be awarded under the 2011 Plan is 3,642,461 shares. Under the 2011 Plan, each LTIP unit awarded will be equivalent to an award of one share of common stock reserved under the 2011 Plan, thereby reducing the number of shares of common stock available for other equity awards on a one-for-one basis.

The 2011 Plan may be terminated, amended, modified or suspended at any time by the board of directors, subject to stockholder approval as required by law or stock exchange rules. The 2011 Plan expires on March 31, 2021.

On September 20, 2011, the compensation committee of the Company's board of directors approved the 2011 OPP under the 2011 Plan to provide key employees of the Company or its affiliates with incentives to contribute to the growth and financial success of the Company. On September 19, 2014, the Company's three year measurement period pursuant to the 2011 OPP concluded. It was determined that the Company's total stockholder return exceeded the threshold percentage and return hurdle and the maximum pool amount of $10.0 million was awarded to the participants. The compensation committee of the Company's board of directors approved the issuance of 397,590 vested LTIP units and 43,657 vested shares of common stock to participants of the 2011 OPP.

On March 8, 2016, the Company granted performance units, approved by the compensation committee of the board of directors, under the 2011 Plan to provide certain key employees of the Company with incentives designed to align those key employees' interests more closely with those of the stockholders.

The ultimate value of the performance units depends on the Company’s total stockholder return ("TSR") over a three-year period commencing January 1, 2016 and ending on December 31, 2018 (the "measuring period"). At the end of the measuring period, the performance units convert into shares of common stock, or, at the Company's election and with the award recipient's consent, LTIP units or other securities, at a rate depending on the Company’s TSR over the measuring period as compared to three different benchmarks and on the absolute amount of the Company’s TSR. A recipient of performance units may receive as few as zero shares or as many as 250% of the number of target units, plus deemed dividends. The target amount of the performance units is nominally allocated as: (i) 25% to the Company’s TSR compared to the TSR of an industry peer group; (ii) 25% to the Company’s TSR compared to the TSR of a size-based peer group; and (iii) 50% to the Company’s TSR compared to the TSR of the companies in the MSCI US REIT index.

No dividends are paid to the recipient during the measuring period. At the end of the measuring period, if the Company’s TSR is such that the recipient earns shares of common stock or, at the Company's election and with the award recipient's consent, LTIP units or other securities (“Award Shares”), the recipient will receive additional Award Shares relating to dividends deemed to have been paid and reinvested on the Award Shares. The Company, in the discretion of the compensation committee of the board of directors, may pay the cash value of the deemed dividends instead of issuing additional Award Shares. The number of Award Shares is determined at the end of the measuring period, and one-half of the Award Shares and all dividend shares vest immediately. The other one-half of the Award Shares will be restricted (subject to forfeiture) and vest one year after the end of the measuring period.

The fair value of the performance units at the date of grant was approximately $2.6 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 23.0%, a weighted average risk-free interest rate of 1.0849%, and a weighted average expected dividend yield of 6.0%. The performance unit equity compensation expense is recognized into earnings ratably from the grant date over the respective vesting periods. Refer to Note 14 for details on performance units granted on January 6, 2017.

On January 12, 2015, the compensation committee of the board of directors of the Company approved the 2015 Outperformance Program (the “2015 OPP”) under the 2011 Plan, to provide certain key employees of the Company or its affiliates with incentives to contribute to the growth and financial success of the Company and its affiliates.

Recipients of awards under the 2015 OPP will share in an outperformance pool if the Company’s total stockholder return, including both share appreciation and dividends, exceeds an absolute hurdle over a three year measurement period from January 1, 2015 to January 1, 2018 (the “measurement period”), based on a beginning value of $24.49 per share of the Company’s common stock, as well as a relative hurdle based on the MSCI US REIT Index. Provided the Company’s increase in cumulative absolute total stockholder return over the measurement period equals or exceeds 25% (the “threshold percentage”), the outperformance pool consists of 10% of the excess total stockholder return above an absolute total stockholder return hurdle. The hurdle is equal to the total return of the MSCI US REIT Index plus five percentage points over the measurement period.

The aggregate reward for all recipients collectively is capped at the lesser of (i) 0.24% of the product of the total number of shares of common stock and Noncontrolling Common Units outstanding on January 1, 2018 and the average common stock price of the Company for the 20 trading days ending immediately prior to January 1, 2018, and (ii) $15.4 million.

Each participant’s award under the 2015 OPP is designated as a specified percentage of the aggregate outperformance pool. If the threshold percentage and return hurdle were achieved at the end of the measurement period, the outperformance pool will be calculated and then allocated to the award recipients. The 2015 OPP provides that awards will be paid in the form of fully vested shares of the Company’s common stock, or, at the Company's election and with the award recipient’s consent, other securities or cash.

The 2015 OPP awards were valued at approximately $1.6 million utilizing a Monte Carlo simulation to estimate the probability of the conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run approximately 500,000 times. For each simulation, the payoff is calculated at the settlement date, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the award on the award date. Assumptions used in the valuations included (i) factors associated with the underlying performance of the Company’s stock price and total stockholder return over the term of the awards including total stock return volatility and risk-free interest and (ii) factors associated with the relative performance of the Company’s stock price and total stockholder return when compared to the MSCI US REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2015 OPP awards was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the MSCI

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US REIT Index of 20% and 13.6%, respectively, and a risk free rate of 0.9814%. The expense associated with the value of the 2015 OPP awards will be amortized ratably over the measurement period.

The unrecognized compensation expense associated with the 2015 OPP and the performance units at December 31, 2016 was approximately $0.5 million and $1.9 million, respectively, and is expected to be recognized over a weighted average period of approximately 1.0 year and 2.4 years, respectively.

Equity Non-cash Compensation Expense

The following table summarizes the amount recorded in general and administrative expenses in the accompanying Consolidated Statement of Operations for the amortization of restricted shares of common stock, LTIP units, the 2015 OPP, the 2011 OPP, performance units, and the Company's board of directors' compensation.

	Year ended December 31,			
Non-cash compensation expense (in thousands)	2016	2015	2014	
Restricted stock	$2,157	$1,932	$1,164	
LTIP units	6,089 (1)	4,774	5,353	(2)
Outperformance programs	465	523	456	(3)
Performance units	672	—	—	
Board of directors compensation (4)	346	349	341	
Total non-cash compensation expense	$9,729	$7,578	$7,314	

(1) Inclusive of approximately $1.6 million of non-cash compensation expense during the year ended December 31, 2016 associated with the severance cost of an executive officer as discussed Note 7.

(2) Inclusive of approximately $2.0 million of non-cash compensation during the year ended December 31, 2014 associated with the accounting for a consulting agreement with a former executive officer discussed in Note 7. Inclusive of approximately $0.9 million of non-cash compensation during the year ended December 31, 2014 associated with the accounting for a former executive officer's acceleration of LTIP units discussed in Note 7.

(3) Inclusive of approximately $0.2 million of non-cash compensation during the year ended December 31, 2014 associated with the accounting for a consulting agreement with a former executive officer discussed in Note 7.

(4) All of the Company's independent directors elected to receive shares of common stock in lieu of cash for their service during the years ended December 31, 2016, December 31, 2015, and December 31, 2014. The number of shares of common stock granted is calculated based on the trailing 10 days average common stock price ending on the third business day preceding the grant date.

At December 31, 2016 and December 31, 2015, the number of shares available for issuance under the 2011 Plan were 1,156,578 and 1,449,415, respectively. The number of shares available for issuance under the 2011 Plan do not include an allocation for the performance units or the 2015 OPP as the awards were not determinable as of December 31, 2016 or December 31, 2015.

9. Earnings Per Share

The Company uses the two-class method of computing earnings per common share, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Unvested restricted stock awards are considered participating securities as these stock-based awards contain non-forfeitable rights to dividends, unless and until a forfeiture occurs, and these awards must be included in the computation of earnings per share pursuant to the two-class method. During the years ended December 31, 2016, December 31, 2015 and December 31, 2014, there were 276,367; 280,839; and 268,894, respectively, unvested shares of restricted stock on a weighted average basis that were considered participating securities. During the year ended December 31, 2016, there were 92,251 and 123,112 of unvested shares of restricted stock and performance units, respectively, on a weighted average basis that were dilutive. There were no dilutive shares during the years ended December 31, 2015 and December 31, 2014. During the years ended December 31, 2015 and December 31, 2014, there were 70,149 and 110,048 shares of unvested restricted common stock on a weighted average basis, respectively, that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been antidilutive for those periods.

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STAG Industrial, Inc.

Notes to Consolidated Financial Statements (Continued)

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

	Year ended December 31,		
Earnings Per Share (in thousands, except share data)	2016	2015	2014
Numerator			
Net income (loss)	$35,588	$(29,345)	$(4,685)
Less: preferred stock dividends	13,897	10,848	10,848
Less: amount allocated to participating securities	384	385	345
Less: income (loss) attributable to noncontrolling interest after preferred stock dividends	1,069	(1,962)	(992)
Net income (loss) attributable to common stockholders	$20,238	$(38,616)	$(14,886)
Denominator			
Weighted average common shares outstanding — basic	70,637,185	66,307,972	54,086,345
Weighted average common shares outstanding — diluted	70,852,548	66,307,972	54,086,345
Net income (loss) per share — basic and diluted			
Net income (loss) per share attributable to common stockholders — basic	$0.29	$(0.58)	$(0.28)
Net income (loss) per share attributable to common stockholders — diluted	$0.29	$(0.58)	$(0.28)

10. Future Minimum Rents

The Company's properties are leased to tenants under triple net, modified, and gross leases. Minimum contractual lease payments receivable, excluding tenant reimbursement of expenses, under non-cancelable operating leases in effect as of December 31, 2016 are approximately as follows.

Year	Future Minimum Rents (in thousands)
2017	$ 223,309
2018	$ 187,615
2019	$ 149,273
2020	$ 120,461
2021	$ 87,797
Thereafter	$ 301,177

11. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance subject to deductible requirements. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

On April 18, 2012, the Company entered into an agreement with affiliates of Columbus Nova Real Estate Acquisition Group, Inc. ("Columbus Nova") to source sale leaseback transactions for potential acquisitions by the Company. The agreement called for various fees to be paid to Columbus Nova for its services including acquisition fees, credit monitoring fees, and a one-time incentive fee if certain performance thresholds are met. As of December 31, 2016 and December 31, 2015, respectively, the fair value of the incentive fee was zero. The fair value was calculated using the following key Level 3 inputs: discount rate of 8.0% to 12.0% and 9.5% as of December 31, 2016 and December 31, 2015, respectively, and exit capitalization rate of 7.0% to 12.0% and 9.8% as of December 31, 2016 and December 31, 2015, respectively.

The Company has letters of credit of approximately $3.5 million related to development projects and its corporate office lease as of December 31, 2016.

STAG Industrial, Inc.
Notes to Consolidated Financial Statements (Continued)

Ground and Operating Lease Agreements

Future minimum rental payments under the terms of the fixed non-cancelable ground leases and operating leases, including any bargain renewal terms, under which the Company is the lessee as of December 31, 2016 are as follows.

Year	Future Minimum Rental Payments (1) (in thousands)
2017	$ 1,427
2018	$ 1,539
2019	$ 1,577
2020	$ 1,588
2021	$ 681
Thereafter	$ 6,336

(1) Future minimum rental payments do not include estimates of CPI rent changes required by certain lease agreements. Therefore, actual minimum rental payments may differ than those presented.

12. Employee Benefit Plans

Effective April 20, 2011, the Company adopted a 401(k) Defined Contribution Savings Plan (the “Plan”) for its employees. Under the Plan, as amended, employees, as defined, are eligible to participate in the Plan after they have completed three months of service. The Company provides a discretionary match of 50% of the employee’s contributions annually up to 6.0% of the employee’s annual compensation, subject to a cap imposed by federal tax law. The Company’s aggregate matching contribution for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 was approximately $0.4 million, $0.2 million and $0.2 million, respectively. The Company’s contribution is subject to a three year vesting schedule, such that employees who have been with the Company for three years are fully vested in past and future contributions.

13. Related-Party Transactions

The Company’s initial public offering (“IPO”) on April 20, 2011, represented the roll-up of the substantial majority of the assets of several private, externally-advised real estate funds investing in single-tenant industrial real estate in the United States, including the fund identified below as Fund III. The roll-up included the affiliated management companies that advised the funds and excluded the assets of another affiliated real estate fund that also invested in industrial real estate; including the fund identified below as Fund II. In connection with the IPO, a wholly owned subsidiary of the Company, STAG Industrial Management, LLC (the “Manager”), entered into service agreements with the funds that participated in the IPO and remained in existence and the fund that did not participate in the IPO.

The Manager is performing certain asset management services for STAG Investments II, LLC (“Fund II”), a private, fully-invested fund that is an affiliate of the Company and owned seven buildings with approximately 2.2 million rentable square feet as of December 31, 2016. The Manager is paid an annual asset management fee based on the equity investment in the Fund II assets, which is 1.25% of the equity investment. In June 2013, Fund II and the Company amended the service agreement to exclude disposition services from the asset management services to be performed by the Company and results in a concomitant reduction in the asset management fee. The Company recognized asset management fee income of approximately $0.2 million, $0.4 million and $0.6 million for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, respectively, which is included in other income on the accompanying Consolidated Statements of Operations. As of December 31, 2016 and December 31, 2015, the Company had a receivable in the amount of approximately $48,000 and $0.1 million, respectively, related to the asset management fee income included within prepaid expenses and other assets on the accompanying Consolidated Balance Sheets.

The Company’s “predecessor” for accounting purposes is STAG Predecessor Group, which is not a legal entity, but a collection of real estate entities that were owned by STAG Investments III, LLC (“Fund III”) prior to the Company’s IPO. At the time of the formation transactions in connection with the IPO, three vacant properties owned by Fund III were not contributed to the Company (the “Option Properties”). The Manager had entered into a services agreement with Fund III pursuant to which it would manage the Option Properties for an annual fee of $30,000 per property, and would provide the limited administrative services (including preparation of reports for the Fund III lender and investors, bookkeeping, tax and accounting services) that Fund III will require, for an annual fee of $20,000. As the last remaining Option Property was sold in 2013, the Manager only received the annual fee of $20,000 until Fund III’s liquidation. Fund III ceased operations and was liquidated on December 31, 2014 and, as a result, the Manager no longer receives an annual fee.

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14. Subsequent Events

GAAP requires an entity to disclose certain events that occur after the balance sheet date but before financial statements are issued or are available to be issued (“subsequent events”). There are two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (“recognized subsequent events”). No significant recognized subsequent events were noted.

The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date (“non-recognized subsequent events”). The following non-recognized subsequent events are noted.

On January 6, 2017, the Company granted 75,001 restricted shares of common stock to certain employees of the Company pursuant to the 2011 Plan. The restricted shares of common stock granted will vest in four equal installments on January 1 of each year beginning in 2018. The fair value of the restricted shares of common stock at the date of grant was $24.41 per share.

On January 6, 2017, the Company granted 16,836 LTIP units to non-employee, independent directors, and 109,403 LTIP units to certain executive officers and senior employees pursuant to the 2011 Plan. The LTIP units granted to non-employee, independent directors will vest on January 1, 2018. The LTIP units granted to certain executive officers and senior employees will vest quarterly over four years, with the first vesting date being March 31, 2017. The fair value of the LTIP units at the date of grant was approximately $2.9 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using an expected term of ten years, a weighted average volatility factor of 23.0%, a weighted average expected dividend yield of 6.0%, and a weighted average risk-free interest rate of 1.61%. The fair value of the LTIP units are based on Level 3 inputs and are non-recurring fair value measurements.

On January 6, 2017, the Company granted performance units to certain executive officers and senior employees pursuant to the 2011 Plan. The terms of the January 6, 2017 performance units grant is substantially the same as the March 8, 2016 performance units grant as discussed in Note 8, except that the measuring period commences on January 1, 2017 and ends on December 31, 2019. The fair value of the performance units at the date of grant was approximately $2.9 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 23.0%, a weighted average expected dividend yield of 6.0%, and a weighted average risk-free interest rate of 1.61%. The fair value of the performance units are based on Level 3 inputs and are non-recurring fair value measurements.

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STAG Industrial, Inc.
Schedule II—Valuation and Qualifying Accounts
December 31, 2016
(in thousands)
Allowance for Doubtful Receivables and Accrued Rent Reserves

	STAG Industrial, Inc.			
	Beginning of Period	Costs and Expenses	Amounts Written Off	Balance at End of Period
December 31, 2016	$106	$ 125	$ (43)	$ 188
December 31, 2015	$104	$ 190	$ (188)	$ 106
December 31, 2014	$19	$ 104	$ (19)	$ 104

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STAG Industrial, Inc.
Schedule III—Real Estate and Accumulated Depreciation
December 31, 2016
(in thousands)

		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2016				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Albion, IN	$ —	93	67	$ —	$93	$67	$160	$ (24)	2006
Albion, IN	—	932	103	—	932	$103	$1,035	(246)	2006
Albion, IN	—	1,107	55	—	1,107	$55	$1,162	(292)	2006
Albion, IN	—	970	332	—	970	$332	$1,302	(256)	2006
Albion, IN	—	1,397	52	—	1,397	$52	$1,449	(368)	2006
Albion, IN	—	1,528	126	—	1,528	$126	$1,654	(403)	2006
Kendallville, IN	—	1,510	142	—	1,510	$142	$1,652	(398)	2006
Albion, IN	—	710	187	—	710	$187	$897	(187)	2006
Alexandria, MN	—	5,855	960	151	6,006	$960	$6,966	(900)	2011
Allentown, PA	—	7,336	1,962	783	8,119	$1,962	$10,081	(865)	2014
Appleton, WI	—	3,765	495	360	4,125	$495	$4,620	(1,030)	2007
Arlington, TX	—	2,374	413	304	2,678	$413	$3,091	(589)	2007
Arlington, TX	—	6,151	1,246	—	6,151	$1,246	$7,397	(837)	2012
Avon, CT	—	2,750	336	—	2,750	$336	$3,086	(369)	2012
Belfast, ME	—	10,331	1,883	487	10,818	$1,883	$12,701	(1,641)	2011
Belvidere, IL	—	4,176	442	—	4,176	$442	$4,618	(224)	2015
Belvidere, IL	—	3,956	733	—	3,956	$733	$4,689	(428)	2013
Belvidere, IL	—	3,436	1,310	—	3,436	$1,310	$4,746	(514)	2013
Belvidere, IL	—	3,517	538	114	3,631	$538	$4,169	(325)	2013
Belvidere, IL	—	6,899	670	—	6,899	$670	$7,569	(690)	2013
Belvidere, IL	—	4,321	668	—	4,321	$668	$4,989	(493)	2013
Belvidere, IL	—	3,730	866	—	3,730	$866	$4,596	(450)	2013
Belvidere, IL	—	2,808	586	22	2,830	$586	$3,416	(375)	2013
Belvidere, IL	—	8,340	1,542	552	8,892	$1,542	$10,434	(1,043)	2013
Belvidere, IL	—	71	216	—	71	$216	$287	(71)	2013
Biddeford, ME	—	8,164	1,369	3,916	12,080	$1,369	$13,449	(179)	2016
Boardman, OH	—	3,473	282	773	4,246	$282	$4,528	(1,033)	2007
Boardman, OH	—	841	49	149	990	$49	$1,039	(531)	2007
Brooklyn Park, MN	—	11,988	1,926	—	11,988	$1,926	$13,914	(33)	2016
Buena Vista, VA	—	2,500	534	635	3,135	$534	$3,669	(417)	2012
Buffalo, NY	—	2,924	146	—	2,924	$146	$3,070	(373)	2012
Burlington, NJ	—	42,652	5,135	55	42,707	$5,135	$47,842	(1,980)	2015
Burlington, NJ	—	19,577	4,030	1,231	20,808	$4,030	$24,838	(1,268)	2015
Calhoun, GA	—	2,764	388	—	2,764	$388	$3,152	(216)	2014

Camarillo, CA	—	10,785	7,242	237	11,022	$7,242	$18,264	(943)	2014
Camarillo, CA	—	19,857	7,989	25	19,882	$7,989	$27,871	(1,589)	2014
Catoosa, OK	—	3,937	—	—	3,937	$—	$3,937	(450)	2013
Cedar Hill, TX	—	11,971	4,066	—	11,971	$4,066	$16,037	(222)	2016
Charlotte, NC	(10,291)	9,461	3,535	1,197	10,658	$3,535	$14,193	(2,199)	2011
Charlotte, NC	—	2,443	805	4	2,447	$805	$3,252	(244)	2014
Charlotte, NC	—	3,554	386	19	3,573	$386	$3,959	(341)	2014
Charlotte, NC	—	3,961	515	—	3,961	$515	$4,476	(157)	2015
Charlotte, NC	—	4,445	678	—	4,445	$678	$5,123	(112)	2016
Chattanooga, TN	—	2,321	187	—	2,321	$187	$2,508	(155)	2015
Chattanooga, TN	—	4,730	380	13	4,743	$380	$5,123	(316)	2015
Chattanooga, TN	—	8,459	424	—	8,459	$424	$8,883	(645)	2015
Cheektowaga, NY	—	2,757	216	793	3,550	$216	$3,766	(599)	2011
Chesterfield, MI	—	1,169	207	62	1,231	$207	$1,438	(390)	2007
Chesterfield, MI	—	798	150	89	887	$150	$1,037	(206)	2007
Chesterfield, MI	—	802	151	224	1,026	$151	$1,177	(261)	2007
Chesterfield, MI	—	5,304	942	1,952	7,256	$942	$8,198	(1,821)	2007
Chester, VA	—	3,402	775	—	3,402	$775	$4,177	(448)	2014
Chicopee, MA	—	5,867	504	—	5,867	$504	$6,371	(825)	2012

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		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2016				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Land	Building & Improvements	Total	Accumulated Depreciation (3)	Acq Date
Chippewa Falls, WI	—	2,303	133	—	$133	2,303	$2,436	(347)	2011
Chippewa Falls, WI	—	544	44	—	44	544	588	(80)	2011
Cincinnati, OH	—	3,637	238	1,412	238	5,049	5,287	(1,785)	2007
Cleveland, TN	(2,464)	3,161	554	84	554	3,245	3,799	(543)	2011
Clinton, TN	—	3,302	403	—	403	3,302	3,705	(307)	2015
Columbus, OH	—	3,123	489	167	489	3,290	3,779	(433)	2014
Columbia, SC	—	5,171	783	—	783	5,171	5,954	(122)	2016
West Columbia, SC	—	6,988	715	401	715	7,389	8,104	(792)	2013
Dallas, GA	—	1,712	475	—	475	1,712	2,187	(252)	2012
LaGrange, GA	—	3,175	240	331	240	3,506	3,746	(619)	2011
Danville, KY	—	11,814	965	3,644	965	15,458	16,423	(2,273)	2011
Daytona Beach, FL	—	875	1,237	1,704	1,237	2,579	3,816	(630)	2007
Dayton, OH	—	5,896	331	375	331	6,271	6,602	(319)	2015
DeForest, WI	—	5,402	1,131	—	1,131	5,402	6,533	(20)	2016
DeKalb, IL	—	4,568	489	—	489	4,568	5,057	(530)	2013
De Pere, WI	—	6,144	525	—	525	6,144	6,669	(861)	2012
Duncan, SC	—	11,258	1,002	726	1,002	11,984	12,986	(1,635)	2012
Duncan, SC	—	6,739	709	71	709	6,810	7,519	(833)	2012
Durham, SC	—	2,700	753	31	753	2,731	3,484	(161)	2015
Earth City, MO	—	2,806	1,123	—	1,123	2,806	3,929	(25)	2016
Edgefield, SC	—	938	220	750	220	1,688	1,908	(255)	2012
Elizabethtown, PA	—	5,363	1,000	—	1,000	5,363	6,363	(414)	2014
Elkhart, IN	—	210	25	143	25	353	378	(58)	2007
Elkhart, IN	—	3,567	422	452	422	4,019	4,441	(931)	2007
El Paso, TX	—	9,099	1,248	—	1,248	9,099	10,347	(733)	2014
El Paso, TX	—	7,905	1,124	—	1,124	7,905	9,029	(767)	2014
El Paso, TX	—	14,159	1,854	91	1,854	14,250	16,104	(1,205)	2014
El Paso, TX	—	9,897	1,581	—	1,581	9,897	11,478	(767)	2014
El Paso, TX	—	5,893	1,136	—	1,136	5,893	7,029	(340)	2015
El Paso, TX	—	3,096	—	1,006	—	4,102	4,102	(567)	2012
Erlanger, KY	—	3,826	635	6	635	3,832	4,467	(132)	2016
East Troy, WI	—	4,962	304	—	304	4,962	5,266	(382)	2014
East Windsor, CT	—	5,711	400	—	400	5,711	6,111	(22)	2016
East Windsor, CT	(3,073)	4,713	348	528	348	5,241	5,589	(1,088)	2012
Fairborn, OH	—	5,650	867	—	867	5,650	6,517	(477)	2015

Fairfield, OH	—	2,842	948	—	2,842 948	3,790	(142)	2016
Farmington, NY	—	5,342	410	20	5,362 410	5,772	(1,312)	2007
Forest Park, GA	—	9,527	1,733	35	9,562 1,733	11,295	(142)	2016
Forest Park, GA	—	8,189	1,715	—	8,189 1,715	9,904	(106)	2016
Fort Wayne, IN	—	3,142	112	—	3,142 112	3,254	(245)	2014
Franklin, IN	—	12,042	2,479	13	12,055 2,479	14,534	(1,940)	2012
Fort Worth, TX	(1,889)	2,965	389	709	3,674 389	4,063	(563)	2011
Gahanna, OH	—	4,191	1,265	1,258	5,449 1,265	6,714	(1,055)	2011
Gardiner, ME	—	8,983	948	—	8,983 948	9,931	(141)	2016
Garland, TX	—	5,425	1,344	294	5,719 1,344	7,063	(644)	2014
Garland, TX	—	6,058	1,542	536	6,594 1,542	8,136	(296)	2015
Germantown, WI	—	6,035	1,186	—	6,035 1,186	7,221	(660)	2014
Gloversville, NY	(736)	1,299	117	—	1,299 117	1,416	(169)	2012
Gloversville, NY	(1,189)	2,613	151	—	2,613 151	2,764	(359)	2012
Gloversville, NY	(849)	1,514	154	13	1,527 154	1,681	(220)	2012
Golden, CO	—	6,164	742	67	6,231 742	6,973	(669)	2013
Goshen, IN	(5,224)	6,509	1,442	415	6,924 1,442	8,366	(1,186)	2011
Grand Junction, CO	—	4,002	314	—	4,002 314	4,316	(196)	2015
Grand Rapids, MI	—	7,532	169	5	7,537 169	7,706	(383)	2015
Graniteville, SC	—	8,389	1,629	—	8,389 1,629	10,018	(228)	2016
Greenwood, SC	(1,529)	1,848	166	—	1,848 166	2,014	(236)	2012
Greenwood, SC	(1,302)	1,232	169	4	1,236 169	1,405	(198)	2012
Greenville, SC	—	3,379	309	—	3,379 309	3,688	(220)	2015
Greer, SC	—	1,434	129	144	1,578 129	1,707	(78)	2015

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc. Building & Improvements (2)	Initial Cost to STAG Industrial, Inc. Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Gross Amounts at Which Carried at December 31, 2016 Building & Improvements	Gross Amounts at Which Carried at December 31, 2016 Land	Total	Accumulated Depreciation (3)	Acq Date
Greer, SC	—	1,748	128	39	1,787	128	1,915	(95)	2015
Greer, SC	—	471	153	10	481	153	634	(31)	2015
Greer, SC	—	3,016	306	99	3,115	306	3,421	(180)	2015
Fountain Inn, SC	—	4,438	719	—	4,438	719	5,157	(152)	2016
Grove City, OH	—	3,974	730	—	3,974	730	4,704	(60)	2016
Gurnee, IL	—	11,380	1,716	19	11,399	1,716	13,115	(845)	2014
Gurnee, IL	—	4,902	1,337	468	5,370	1,337	6,707	(935)	2012
Hampstead, MD	—	34,969	780	—	34,969	780	35,749	(3,588)	2013
Harrisonburg, VA	—	11,179	1,455	144	11,323	1,455	12,778	(1,285)	2012
Hartland, WI	—	4,634	1,526	—	4,634	1,526	6,160	(36)	2016
Harvard, IL	—	2,980	1,157	—	2,980	1,157	4,137	(637)	2013
Hazelwood, MO	(5,384)	5,815	1,382	1,207	7,022	1,382	8,404	(1,292)	2011
Hebron, KY	—	4,601	370	—	4,601	370	4,971	(446)	2014
Holland, MI	(3,159)	3,475	279	60	3,535	279	3,814	(580)	2012
Holland, MI	—	2,176	224	229	2,405	224	2,629	(925)	2007
Houston, TX	—	7,790	2,255	9	7,799	2,255	10,054	(886)	2013
Houston, TX	—	4,906	1,428	17	4,923	1,428	6,351	(594)	2014
Houston, TX	—	5,019	565	750	5,769	565	6,334	(671)	2014
Houston, TX	—	8,448	2,546	—	8,448	2,546	10,994	(53)	2016
Huntersville, NC	—	3,123	1,061	39	3,162	1,061	4,223	(390)	2012
Idaho Falls, ID	—	2,735	356	—	2,735	356	3,091	(380)	2013
Independence, VA	(1,421)	2,212	226	83	2,295	226	2,521	(415)	2012
Itasca, IL	—	12,216	2,428	—	12,216	2,428	14,644	(95)	2016
Jackson, TN	—	2,374	230	213	2,587	230	2,817	(374)	2012
Janesville, WI	—	17,477	828	245	17,722	828	18,550	(2,115)	2013
Jefferson City, TN	—	8,494	1,350	—	8,494	1,350	9,844	(1,365)	2014
Johnstown, NY	(736)	1,304	178	—	1,304	178	1,482	(184)	2012
Johnstown, NY	(1,076)	1,592	216	—	1,592	216	1,808	(185)	2012
Johnstown, NY	(878)	978	151	—	978	151	1,129	(171)	2012
Johnstown, NY	(1,642)	1,467	140	—	1,467	140	1,607	(208)	2012
Kansas City, MO	—	5,539	703	92	5,631	703	6,334	(584)	2012
Kenosha, WI	—	3,991	797	—	3,991	797	4,788	(36)	2016
Kentwood, MI	—	2,478	407	—	2,478	407	2,885	(309)	2013
Knoxville, TN	—	3,201	447	—	3,201	447	3,648	(263)	2015
Lafayette, IN	(1,217)	2,205	295	36	2,241	295	2,536	(267)	2012
Lafayette, IN	(2,067)	3,554	410	38	3,592	410	4,002	(540)	2012
Lafayette, IN	(4,246)	8,135	906	252	8,387	906	9,293	(1,182)	2012
Lancaster, PA	—	5,480	1,520	—	5,480	1,520	7,000	(527)	2015

Langhorne, PA	—	3,868	1,370	—	3,868	1,370	5,238	(86	2016
Langhorne, PA	—	3,105	1,308	—	3,105	1,308	4,413	(84	2016
Langhorne, PA	—	6,372	1,884	—	6,372	1,884	8,256	(61	2016
Lansing, MI	(7,263	8,164	501	—	8,164	501	8,665	(1,353	2011
Lansing, MI	—	4,077	580	—	4,077	580	4,657	(564	2012
Lansing, MI	(5,662	7,162	429	—	7,162	429	7,591	(936	2012
Lansing, MI	—	5,209	907	—	5,209	907	6,116	(619	2013
Laurens, SC	—	4,254	151	—	4,254	151	4,405	(181	2015
Lenexa, KS	—	7,610	2,368	—	7,610	2,368	9,978	(938	2014
Lewiston, ME	—	5,515	173	1,318	6,833	173	7,006	(1,769	2007
Lexington, NC	—	3,968	232	633	4,601	232	4,833	(717	2011
Libertyville, IL	—	6,455	421	80	6,535	421	6,956	(377	2015
Libertyville, IL	—	770	143	9	779	143	922	(155	2015
Londonderry, NH	—	6,683	730	—	6,683	730	7,413	(767	2013
Longmont, CO	—	9,647	1,529	350	9,997	1,529	11,526	(859	2014
Loudon, TN	—	3,751	170	—	3,751	170	3,921	(181	2015
Louisville, KY	(3,354	3,875	386	520	4,395	386	4,781	(866	2011
Louisville, KY	(5,351	6,182	616	632	6,814	616	7,430	(1,336	2011
Macedonia, OH	—	8,195	1,690	10	8,205	1,690	9,895	(487	2015
Machesney Park, IL	—	3,742	300	—	3,742	300	4,042	(261	2015
Madison, TN	(5,688	6,159	1,655	1,681	7,840	1,655	9,495	(1,488	2011

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc. Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Gross Amounts at Which Carried at December 31, 2016 Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Malden, MA	—	2,817	366	—	2,817	366	3,183	(691)	2007
Malden, MA	—	3,961	507	—	3,961	507	4,468	(972)	2007
Marion, IA	—	2,257	691	49	2,306	691	2,997	(338)	2013
Marion, IN	(2,887)	2,934	243	563	3,497	243	3,740	(391)	2012
Marshall, MI	—	1,051	199	—	1,051	199	1,250	(181)	2013
Mascot, TN	—	3,228	284	—	3,228	284	3,512	(178)	2016
Mascot, TN	—	3,452	385	65	3,517	385	3,902	(525)	2013
Salem, OH	—	7,674	858	252	7,926	858	8,784	(1,761)	2006
Mason, OH	—	4,730	673	—	4,730	673	5,403	(476)	2014
Mayville, WI	—	4,118	547	330	4,448	547	4,995	(1,142)	2007
Mebane, NC	—	4,570	481	457	5,027	481	5,508	(596)	2012
Mebane, NC	—	4,148	443	—	4,148	443	4,591	(548)	2012
Mebane, NC	—	4,999	358	—	4,999	358	5,357	(577)	2013
Mechanicsburg, PA	—	5,172	1,482	635	5,807	1,482	7,289	(648)	2014
Mechanicsburg, PA	—	7,144	1,800	—	7,144	1,800	8,944	(654)	2014
New Kingston, PA	—	8,687	2,041	—	8,687	2,041	10,728	(786)	2014
Mechanicsburg, PA	—	8,008	1,452	—	8,008	1,452	9,460	(719)	2014
Milwaukee, WI	—	4,090	456	46	4,136	456	4,592	(978)	2007
Montgomery, AL	—	7,523	418	—	7,523	418	7,941	(25)	2016
Montgomery, IL	—	12,485	2,190	1,755	14,240	2,190	16,430	(1,573)	2012
Mooresville, NC	(5,888)	7,411	701	216	7,627	701	8,328	(1,312)	2011
Mountain Home, NC	—	2,472	523	—	2,472	523	2,995	(230)	2014
Murfreesboro, TN	—	2,863	722	—	2,863	722	3,585	(338)	2014
Nashua, NH	—	8,682	1,431	—	8,682	1,431	10,113	(942)	2014
Nashville, TN	—	3,601	547	—	3,601	547	4,148	(391)	2013
Newark, DE	—	1,478	197	392	1,870	197	2,067	(480)	2007
Newark, DE	—	1,891	232	194	2,085	232	2,317	(612)	2007
New Berlin, WI	—	6,500	1,068	141	6,641	1,068	7,709	(886)	2013
New Castle, DE	—	17,767	2,616	—	17,767	2,616	20,383	(338)	2016
New Hope, MN	—	1,970	1,919	—	1,970	1,919	3,889	(345)	2013
Lopatcong, NJ	—	9,154	1,554	193	9,347	1,554	10,901	(476)	2011
Piscataway, NJ	—	5,655	640	620	6,275	640	6,915	(1,480)	2011
Newton, NC	—	3,814	732	86	3,900	732	4,632	(573)	2011
North Haven, CT	—	39,911	4,086	1,384	41,295	4,086	45,381	(3,132)	2015
North Jackson, OH	—	4,427	1,528	—	4,427	1,528	5,955	(469)	2013
North Jackson, OH	(7,435)	5,795	486	170	5,965	486	6,451	(734)	2011
Norcorss, GA	—	2,586	1,589	—	2,586	1,589	4,175	(132)	2016
Norton, MA	—	6,740	2,839	—	6,740	2,839	9,579	(1,192)	2011

Novi, MI	)(2,774	3,879	252	—	3,879	252	4,131	)(659	2012
Novi, MI	—	6,035	626	—	6,035	626	6,661	)(310	2015
Oakwood Village, OH	—	3,091	343	—	3,091	343	3,434	)(254	2015
Ocala, FL	—	13,296	731	952	14,248	731	14,979	)(1,409	2013
O'Fallon, MO	)(2,634	2,676	1,242	266	2,942	1,242	4,184	)(500	2011
O'Hara, PA	)(15,909	18,875	1,435	4,999	23,874	1,435	25,309	)(3,036	2012
Oklahoma City, OK	—	2,211	746	—	2,211	746	2,957	)(23	2016
Oklahoma City, OK	—	9,199	1,614	1,354	10,553	1,614	12,167	)(488	2015
Olathe, KS	—	20,763	2,431	—	20,763	2,431	23,194	)(195	2016
Orlando, FL	—	4,839	1,339	—	4,839	1,339	6,178	)(588	2013
Orlando, FL	—	1,996	721	—	1,996	721	2,717	)(292	2012
Pensacola, FL	—	2,989	145	111	3,100	145	3,245	)(1,215	2007
Phenix City, AL	)(1,585	1,493	276	140	1,633	276	1,909	)(249	2012
Phoenix, AZ	—	5,770	1,653	—	5,770	1,653	7,423	)(340	2015
Piedmont, SC	—	4,152	231	—	4,152	231	4,383	)(216	2015
Piedmont, SC	—	2,127	158	—	2,127	158	2,285	)(115	2015
Piedmont, SC	—	2,302	204	—	2,302	204	2,506	)(195	2015
Pineville, NC	—	1,380	392	—	1,380	392	1,772	)(227	2012
Plymouth, MI	—	4,670	365	—	4,670	365	5,035	)(339	2015
Pocatello, ID	—	3,472	399	135	3,607	399	4,006	)(1,064	2007
Portage, IN	—	5,416	—	—	5,416	—	5,416	)(613	2012

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		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2016				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Portland, TN	—	8,353	1,662	66	8,419	1,662	10,081	(1,387)	2012
Portland, ME	(2,853)	3,727	891	—	3,727	891	4,618	(507)	2012
Rapid City, SD	—	10,662	2,071	836	11,498	2,071	13,569	(3,477)	2007
Reading, PA	—	5,401	1,708	67	5,468	1,708	7,176	(176)	2016
Muhlenberg TWP, PA	—	14,064	843	132	14,196	843	15,039	(1,982)	2012
Reno, NV	—	3,461	1,372	—	3,461	1,372	4,833	(357)	2014
Rock Hill, SC	(4,012)	6,297	1,411	—	6,297	1,411	7,708	(114)	2016
Rogers, MN	(10,014)	11,787	1,671	238	12,025	1,671	13,696	(2,925)	2011
Rogers, AR	—	8,280	1,072	99	8,379	1,072	9,451	(1,391)	2011
Rural Hall, NC	—	5,664	439	147	5,811	439	6,250	(1,103)	2011
Salem, OR	(2,741)	3,150	599	640	3,790	599	4,389	(603)	2011
Salem, OR	(1,231)	1,452	266	433	1,885	266	2,151	(340)	2011
San Antonio, TX	—	10,395	1,568	—	10,395	1,568	11,963	(61)	2016
Sauk Village, IL	—	5,405	877	64	5,469	877	6,346	(621)	2013
Savage, MN	—	3,996	3,194	493	4,489	3,194	7,683	(662)	2014
Savannah, GA	—	13,219	439	—	13,219	439	13,658	(1,193)	2014
Sergeant Bluff, IA	—	6,188	247	273	6,461	247	6,708	(3,667)	2007
Seville, OH	—	4,536	766	171	4,707	766	5,473	(949)	2011
Shannon, GA	—	12,969	393	—	12,969	393	13,362	(1,150)	2013
South Holland, IL	—	3,900	714	—	3,900	714	4,614	(652)	2013
Shreveport, LA	—	6,265	1,804	136	6,401	1,804	8,205	(460)	2015
Simpsonville, SC	—	2,960	957	117	3,077	957	4,034	(442)	2012
Simpsonville, SC	—	3,418	470	127	3,545	470	4,015	(462)	2012
Smithfield, NC	—	4,694	613	12	4,706	613	5,319	(706)	2011
Smyrna, GA	—	3,286	264	—	3,286	264	3,550	(485)	2012
South Bend, IN	—	4,834	411	—	4,834	411	5,245	(666)	2012
Sparks, MD	—	1,945	358	65	2,010	358	2,368	(751)	2007
Spartanburg, SC	—	15,100	1,867	—	15,100	1,867	16,967	(122)	2016
Spartanburg, SC	—	3,694	342	—	3,694	342	4,036	(370)	2014
Spartanburg, SC	—	5,797	493	294	6,091	493	6,584	(728)	2012
Springfield, OH	—	6,432	574	—	6,432	574	7,006	(745)	2013
Statham, GA	—	6,130	588	200	6,330	588	6,918	(747)	2012
Sterling Heights, MI	(1,529)	4,197	513	415	4,612	513	5,125	(548)	2012
Stoughton, MA	—	2,613	2,256	824	3,437	2,256	5,693	(606)	2015
Stoughton, MA	—	1,216	538	—	1,216	538	1,754	(174)	2015
Streetsboro, OH	(5,493)	5,481	2,161	214	5,695	2,161	7,856	(1,340)	2011
Strongsville, OH	—	5,853	491	23	5,876	491	6,367	(573)	2014

Sun Prairie, WI	—	5,809	2,360	2,377	8,186	2,360	10,546	(1,176)	2011
Toledo, OH	—	6,831	213	—	6,831	213	7,044	(976)	2012
Burlington, NJ	—	—	3,267	167	167	3,267	3,434	—	2015
Libertyville, IL	—	—	369	2	2	369	371	—	2015
Libertyville, IL	—	—	397	2	2	397	399	—	2015
Tulsa, OK	—	8,242	966	—	8,242	966	9,208	(405)	2015
Twinsburg, OH	—	8,027	590	—	8,027	590	8,617	(1,590)	2007
Visalia, CA	—	21,839	4,346	—	21,839	4,346	26,185	(646)	2016
Vonore, TN	(7,707)	8,243	2,355	85	8,328	2,355	10,683	(1,571)	2011
Waco, TX	—	1,394	—	274	1,668	—	1,668	(244)	2011
West Allis, WI	—	1,905	462	—	1,905	462	2,367	(97)	2015
West Allis, WI	—	1,860	444	—	1,860	444	2,304	(91)	2015
West Allis, WI	—	929	252	—	929	252	1,181	(48)	2015
West Allis, WI	—	1,039	251	—	1,039	251	1,290	(51)	2015
Walker, MI	(3,685)	4,872	855	118	4,990	855	5,845	(949)	2011
Ware Shoals, SC	(251)	197	133	—	197	133	330	(29)	2012
Warren, MI	—	14,473	1,290	—	14,473	1,290	15,763	(234)	2016
West Chester, OH	—	8,868	936	—	8,868	936	9,804	(27)	2016
West Chicago, IL	—	2,036	768	—	2,036	768	2,804	(8)	2016
West Chicago, IL	—	674	382	—	674	382	1,056	(6)	2016
West Chicago, IL	—	768	450	—	768	450	1,218	(5)	2016
West Chicago, IL	—	895	369	—	895	369	1,264	(6)	2016

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc. Building & Improvements (2)	Initial Cost to STAG Industrial, Inc. Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Gross Amounts at Which Carried at December 31, 2016 Building & Improvements	Gross Amounts at Which Carried at December 31, 2016 Land	Total	Accumulated Depreciation (3)	Acq Date
West Chicago, IL	—	904	216	—	904	216	1,120	(4)	2016
West Chicago, IL	—	6,247	915	59	6,306	915	7,221	(225)	2016
West Columbia, SC	—	9,570	488	—	9,570	488	10,058	(29)	2016
West Columbia, SC	—	4,646	551	—	4,646	551	5,197	(33)	2016
Westborough, MA	—	5,808	661	—	5,808	661	6,469	(68)	2016
Hamilton, OH	—	8,585	1,046	—	8,585	1,046	9,631	(1,290)	2014
Wichita, KS	(1,529)	1,815	88	11	1,826	88	1,914	(214)	2012
Wichita, KS	(1,671)	1,839	107	57	1,896	107	2,003	(257)	2012
Wichita, KS	(764)	833	76	131	964	76	1,040	(109)	2012
Williamsport, PA	—	9,059	688	—	9,059	688	9,747	(1,150)	2013
Winston-Salem, NC	—	11,054	610	16	11,070	610	11,680	(949)	2014
Wood Dale, IL	—	5,042	1,226	—	5,042	1,226	6,268	(30)	2016
Woodstock, IL	—	3,796	496	—	3,796	496	4,292	(520)	2012
Yorkville, WI	(4,044)	4,915	416	—	4,915	416	5,331	(339)	2014
Bardstown, KY	—	2,398	379	—	2,398	379	2,777	(617)	2007
Total	$(164,326)	$1,673,800	$272,162	$63,754	$1,737,554	$272,162	$2,009,716	$(187,413)	

(1) Balance excludes the unamortized balance of fair market value premiums of approximately $0.1 million and unamortized deferred financing fees and debt issuance costs of approximately $6.3 million.

(2) The initial costs of building and improvements is the acquisition costs less asset impairment write-downs and disposals of building and tenant improvements.

(3) Depreciation expense is computed using the straight-line method based on the following lives:

Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

As of December 31, 2016, the aggregate cost for federal income tax purposes of investments in real estate was approximately $2.6 billion.

	Year ended December 31, 2016	2015	2014
Real Estate:			
Balance at beginning of period	$1,711,612	$1,415,965	$1,079,046

Additions during period			
Other acquisitions	381,131	330,504	337,726
Improvements, etc.	33,133	16,851	13,608
Other additions	—	—	—
Deductions during period			
Cost of real estate sold	(97,342)	(21,443)	(10,539)
Write-off of tenant improvements	(2,585)	(1,205)	(1,036)
Asset impairments and involuntary conversion	(16,233)	(29,060)	(2,840)
Balance at the end of the period	$2,009,716	$1,711,612	$1,415,965
Accumulated Depreciation:			
Balance at beginning of period	$147,917	$105,435	$71,653
Additions during period			
Depreciation and amortization expense	57,391	48,186	36,356
Other additions	—	—	—
Deductions during period			
Disposals	(17,895)	(5,704)	(2,574)
Balance at the end of the period	$187,413	$147,917	$105,435

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EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Articles of Amendment and Restatement of STAG Industrial, Inc. (including all articles of amendment and articles supplementary) (1)
3.2	Amended and Restated Bylaws of STAG Industrial, Inc. (2)
4.1	Form of Common Stock Certificate of STAG Industrial, Inc. (3)
4.2	Form of Certificate for the 6.625% Series B Cumulative Redeemable Preferred Stock of STAG Industrial, Inc. (4)
4.3	Form of Certificate for the 6.875% Series C Cumulative Redeemable Preferred Stock of STAG Industrial, Inc. (5)
10.1	Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (6)
10.2	First Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (7)
10.3	Second Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (8)
10.4	Third Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (9)
10.5	2011 Equity Incentive Plan (10)*
10.6	Amendment to the 2011 Equity Incentive Plan, dated as of May 6, 2013 (11)*
10.7	Second Amendment to the 2011 Equity Incentive Plan, dated as of February 20, 2015 (12)*
10.8	2015 Outperformance Program (13)*
10.9	Form of LTIP Unit Agreement (10)*
10.10	Form of Performance Award Agreement (1)*
10.11	Amended and Restated Executive Employment Agreement with Benjamin S. Butcher, dated May 4, 2015 (14)*
10.12	Executive Employment Agreement with William R. Crooker, dated February 25, 2016 (11)*
10.13	Executive Employment Agreement with Stephen C. Mecke, dated April 20, 2011 (6)*
10.14	Executive Employment Agreement with Jeffrey M. Sullivan, dated October 27, 2014 (6)*
10.15	Executive Employment Agreement with David G. King, dated April 20, 2011 (6)*
10.16	Executive Employment Agreement with Peter S. Fearey, dated February 25, 2016 (1)*
10.17	Form of Indemnification Agreement between STAG Industrial, Inc. and its directors and officers (17)*
10.18	Registration Rights Agreement, dated April 20, 2011, by and among STAG Industrial, Inc., STAG Industrial Operating Partnership, L.P. and the persons named therein (6)
10.19	Services Agreement between STAG Industrial Management, LLC and STAG Manager II, LLC, as amended (18)
10.20	Credit Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)
10.21	First Amendment to Credit Agreement, dated as of September 29, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (20)
10.22	Second Amended and Restated Term Loan Agreement, dated as of December 20, 2016, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (21)
10.23	Amended and Restated Term Loan Agreement, dated as of December 20, 2016, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (21)
10.24	Term Loan Agreement, dated as of September 29, 2015, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (20)
10.25	Note Purchase Agreement, dated as of April 16, 2014, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (22)

10.26	First Amendment to Note Purchase Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (19)

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Exhibit Number	Description of Document
10.27	Second Amendment to Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (23)
10.28	Note Purchase Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (19)
10.29	First Amendment to Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (23)
10.30	Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (23)
12.10	Computation of ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends
21.10	Subsidiaries of STAG Industrial, Inc.
23.10	Consent of PricewaterhouseCoopers LLP
24.10	Power of Attorney (included on signature page)
31.10	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0	The following materials from STAG Industrial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (vi) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these consolidated financial statements.

*Represents management contract or compensatory plan or arrangement.

(1) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 3, 2016.

(2) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on April 8, 2011.

(3) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on September 24, 2010.

(4) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form 8-A filed with the SEC on April 11, 2013.

(5) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form 8-A filed with the SEC on March 10, 2016.

(6) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on April 21, 2011.

(7) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on November 2, 2011.

(8) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on April 16, 2013.

(9) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on March 18, 2016.

(10) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on April 5, 2011.

(11) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on May 6, 2013.

(12) Incorporated by reference to STAG Industrial, Inc.'s Annual Report on Form 10-K filed with the SEC on February 23, 2015.

(13) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on January 15, 2015.

(14) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on July 23, 2015.

(15) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on May 16, 2014.

(16) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on October 31, 2014.

(17) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on February 16, 2011.

(18) Incorporated by reference to STAG Industrial, Inc.'s Annual Report on Form 10-K filed with the SEC on February 26, 2014.

(19) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on December 19, 2014.

(20) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on October 1, 2015.

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(21) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on December 27, 2016.

(22) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on April 22, 2014.

(23) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on December 4, 2015.