

# 20 YEARS

1994 - 2014



2014 annual  
**report**  
AND 10-K

# ANNUAL REPORT

for the year ended

DECEMBER 31, 2014

Agree Realty Corporation (NYSE: ADC) is a fully-integrated, self-administered, and self-managed real estate investment trust (REIT) focused on the acquisition and development of properties net leased to industry-leading retailers throughout the United States.

Building upon the foundation of excellence established throughout the past four decades, Agree Realty continues to be a market leader in the net lease space. At December 31, 2014, our growing portfolio consisted of 209 assets in 37 states, containing approximately 4.3 million square feet of gross leasable space.

2014

2013

2012

2011

2010

2009



## Dear Fellow Agree Shareholders,

This past year, the **20<sup>th</sup> anniversary** of our listing on the New York Stock Exchange, was an opportunity to commemorate and reflect on our two decades as a real estate investment trust. While much has changed in the retail landscape, our business strategy and our real estate portfolio, the foundation of Agree Realty remains one built on integrity, trust and alignment with our shareholders.

Prior to the onset of 2014, we, of course, defined our upcoming real estate objectives, but we were also determined to undertake an evaluation and improvement of the three most important areas of our growing business: our people, our processes and our systems. Internally, we referred to this effort as **ADC 2.0** and it entailed significant efforts from our fantastic Team.

**Elite. Professionals. Delivering Results.** Many of you have seen this slogan on our website, marketing materials or posted on the walls of our offices. It speaks to our expectation of performance on an individual, as well as a collective basis. This past year we attracted talented professionals from across the country to join our Team and focused on creating an environment and culture of a first-class organization. **Our People** are our most important resource. I am proud to say that we have some of the best.

Our culture at Agree is built on a few central **Core Values**: consistency, discipline, an ownership mentality, strategic thinking and challenging ourselves to improve and learn. As we have meaningfully increased our transactional volume and in turn grown our real estate portfolio, our Team remains grounded in these values. They drive us to constantly evaluate and improve our processes and systems, to seek efficiencies and to optimize and leverage technology....to never be satisfied with anything but elite.

While these efforts may not directly impact our financial results, they enable us to scale our portfolio, actively manage our real estate assets and execute on our three external growth platforms. In a few short years, we have tripled the size of our portfolio and transformed Agree Realty from a relative unknown into an established retail net lease leader.

I am pleased to report the results of our 2014 activities including a review of our accomplishments and our expanding portfolio of **high-quality net lease retail properties**. This past year, we committed to, and delivered on three operational objectives: constructing a best-in-class retail net lease portfolio, delivering high-quality earnings growth, and enhancing our robust balance sheet. Please allow me a few minutes to review the Company's successes in executing these three key initiatives.

### **Constructing a Best-in-Class Retail Portfolio:**

In 2014, the Company **invested a record \$165.3 million** in 82 retail properties net leased to 34 industry-leading retailers at an average cap rate of 8.2%. Our acquisition, development and joint venture platforms produced superior risk-adjusted opportunities across 15 diverse retail sectors in 24 states across the country. We did not sacrifice quality as we expanded our portfolio from **137 properties to 209 properties**. Our 100% retail portfolio, comprised of 56% investment grade tenants, remains of the highest caliber, concentrated in recession and e-commerce resistant retail sectors, and with outstanding underlying real estate.

This past year, we **acquired 77 assets for a Company record \$147.5 million**. These properties are leased to 28 different tenants operating in 15 diverse retail sectors. From the inception of our acquisition program in April 2010 through the end of 2014, the Company has acquired 139 net leased properties for an aggregate purchase price of approximately \$378 million. The retail properties acquired in 2014 had a

weighted average remaining lease term of 14.1 years, based on the date of acquisition, and are leased to industry-leading retailers including among others, AutoZone, Aldi, Michael's Crafts, PetSmart, O'Reilly Auto Parts, Buffalo Wild Wings, Taco Bell and Burger King.

As our Acquisition Team sourced accretive opportunities, our Development Team and Joint Venture Capital Solutions program **completed five projects for industry-leading retailers** for an aggregate cost of nearly \$18 million. These projects provided superior return on investments in first class retailers, including TJ Maxx, Ross Dress for Less, McDonalds and Wawa. Our real estate development expertise continues to provide a unique value proposition to our retail partners that differentiates Agree from our peers.

Constructing a best-in-class portfolio requires us to constantly evaluate our properties and tenants, and identify potential disposition candidates. Every day we own a property is a day we choose not to sell. In 2014, we sold four properties, including three non-core, Kmart-anchored shopping centers. These dispositions generated nearly \$13 million in proceeds, decreased the rental income derived from our shopping center portfolio to approximately 8%, and reduced Kmart rental income to less than 3%.

As of December 31, 2014 our real estate portfolio spanned 4.3 million square feet of gross leasable area located in 37 states and leased to industry-leading tenants across over 23 diverse retail sectors that we view as both e-commerce and recession resistant. Our tenants include prominent operators in, among others, the pharmacy, home improvement, gas and convenience store, big box discount, health and fitness, quick service restaurant, grocery, dollar store, automotive parts, casual dining, and financial services sectors. Just a few short years ago, our portfolio was concentrated in only six retail sectors. As we continue to expand our portfolio, we will continue to **leverage our unique real estate capabilities** via all three of our external growth platforms: development, acquisitions and joint venture capital solutions.

#### **Delivering a High-Quality Earnings Stream:**

We are unquestionably focused on growing earnings; however, we have maintained our commitment to high-quality retail properties and real estate underwriting fundamentals to achieve these ends. The impact of our investment activity on our portfolio has been substantial. In 2014, net of dispositions, we increased our annualized rental income by over 25%, reduced the rents generated by our top ten tenants from 65% to 52%, and decreased our geographic concentration in Michigan from 36% to 28%.

As we continue to expand and diversify our portfolio, it is important that we do so in a manner that also delivers consistent growth in earnings for our shareholders. In 2014, the Company increased Funds from Operations (FFO) by 17.4% to \$33.3 million and Adjusted Funds from Operations (AFFO) by 17.2% to \$33.9 million. On a per share basis, **FFO and AFFO both increased nearly 4%**. While these results demonstrate solid growth, the numbers alone do not account for the upgraded quality of these earnings streams. We have simultaneously mitigated risk by disposing of lower quality non-core shopping centers, reducing tenant concentrations, and decreasing exposures to tenants and/or assets in which we lack confidence.

Specifically, as of December 31, 2014, core net lease assets generated 92% of our annualized base rent, as compared to 72% at the end of 2010. Our top three tenants generated 31% of our annualized base rent as compared to 62% at the end of 2010. Overall, our portfolio has a weighted average remaining lease term of 11.9 years and generates **56% of rental income from investment grade tenants**.

Our long-term perspective matches the life of our underlying real estate assets. We have chosen against the use of short-term debt or additional leverage to fuel year-over-year gains. We continue to employ stringent underwriting standards in determining where, when and how to invest our capital. As a result of the accretive



investment activity and increased strength of our portfolio, our Board of Directors **raised our dividend twice in 2014** by an aggregate of nearly 10%. With conservative payout ratios of approximately 80% of FFO and AFFO, we feel that shareholders are receiving a very attractive, well-covered dividend with solid potential for further growth.

#### **Enhancing a Robust Balance Sheet:**

During 2014 and lead by the arrival of Brian Dickman as Chief Financial Officer, we completed a number of capital markets transactions to further strengthen our robust balance sheet. The successful closing of an expanded \$150 million unsecured credit facility with eight leading financial institutions provided the Company with enhanced capabilities to execute on our growing platforms. We also raised \$65 million of unsecured fixed rate debt, locking in attractively priced financing while maintaining flexibility within our real estate portfolio.

December's follow-on equity offering raised gross proceeds of over \$76 million. This was the largest and most successful offering in the history of the Company. We attracted new institutional investors, enhanced shareholder liquidity and eliminated the outstanding balance on our revolving credit facility.

At year-end 2014, our total **debt to total market capitalization of 28.5%** was amongst the strongest in the entire REIT sector. Our \$150 million revolving credit facility had nearly full capacity, providing us with the liquidity to pursue a unique pipeline of real estate opportunities. Our balance sheet will continue to provide a strong underlying foundation for the Company to execute on our operating strategy.

#### **In Conclusion**

Our goal remains the same: to build the premier retail net lease real estate investment trust. This past year was another significant step towards that objective. Lastly, and as always, I would like to thank our Board of Directors, our Management Team and, of course, our valued Shareholders, for their continued support of Agree Realty Corporation.

Sincerely,

A handwritten signature in black ink, appearing to be 'Joey Agree', written in a cursive style.

**Joey Agree**

President & Chief Executive Officer

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2014

Commission File Number 1-12928

**AGREE REALTY CORPORATION**  
(Exact name of Registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

38-3148187  
(I.R.S. Employer  
Identification No.)

70 E. Long Lake Road, Bloomfield Hills, Michigan 48304  
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (248) 737-4190

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
<u>Common Stock, \$.0001 par value</u>	<u>New York Stock Exchange</u>

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the Registrant's shares of common stock held by non-affiliates was approximately \$452,247,390 as of June 30, 2014, based on the closing price of \$30.23 on the New York Stock Exchange on that date.

At February 27, 2015, there were 17,617,747 shares of common stock, \$.0001 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for the annual stockholder meeting to be held in 2015 are incorporated by reference into Part III of this Annual Report on Form 10-K as noted herein.

**AGREE REALTY CORPORATION**  
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## PART I

*Unless the context otherwise requires, references in this Annual Report on Form 10-K to the terms "registrant," the "Company," "Agree Realty," "we," "our" or "us" refer to Agree Realty Corporation and all of its consolidated subsidiaries, included its majority owned operating partnership, Agree Limited Partnership (the "Operating Partnership"). Agree Realty has elected to treat certain subsidiaries as taxable real estate investment trust subsidiaries which are collectively referred to herein as the "TRS."*

### Item 1: Business

#### **The Company**

Agree Realty, a Maryland corporation, is a fully integrated real estate investment trust (%REIT+) primarily focused on the ownership, acquisition, development and management of retail properties net leased to industry leading tenants. We were founded in 1971 by our current Executive Chairman, Richard Agree, and listed on the New York Stock Exchange (%NYSE+) in 1994.

As of December 31, 2014, our portfolio consisted of 209 properties located in 37 states and totaling approximately 4.3 million square feet of gross leasable area. Our portfolio included 203 net lease properties, which contributed approximately 91.6% of annualized base rent, and six community shopping centers, which generated the remaining 8.4% of annualized base rent.

As of December 31, 2014, our portfolio was approximately 98.6% leased and had a weighted average remaining lease term of approximately 11.9 years. A significant majority of our properties are leased to national tenants and approximately 55.8% of our annualized base rent was derived from tenants, or parents thereof, with an investment grade credit rating. Substantially all of our tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance.

Our assets are held by, and all of our operations are conducted through, directly or indirectly, the Operating Partnership, of which we are the sole general partner and in which we held a 98.06% interest as of December 31, 2014. Under the partnership agreement of the Operating Partnership, we, as the sole general partner, have exclusive responsibility and discretion in the management and control of the Operating Partnership.

As of December 31, 2014, we had 14 full-time employees, including executive, investment, due diligence, construction, asset management and administrative personnel.

Our principal executive offices are located at 70 E. Long Lake Road, Bloomfield Hills, MI 48304 and our telephone number is (248) 737-4190. We maintain a website at [www.agreerealty.com](http://www.agreerealty.com). Our reports electronically filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act can be accessed through this site, free of charge, as soon as reasonably practicable after we electronically file or furnish such reports. These filings are also available on the SEC's website at [www.sec.gov](http://www.sec.gov). Our website also contains copies of our corporate governance guidelines and code of business conduct and ethics, as well as the charters of our audit, compensation and nominating and governance committees. The information on our website is not part of this report.

#### **Recent Developments**

##### Investments

During 2014, we announced approximately \$165.2 million of investments in net leased retail real estate, including the acquisition of 77 properties for an aggregate purchase price of approximately \$147.5 million and the completed development of five properties for an aggregate cost of approximately \$17.7 million. These 82 properties are leased to 34 different tenants operating in 15 unique retail sectors and are located in 24 states. These assets are 100% leased for a weighted average lease term of approximately 14.1 years and the weighted average capitalization rate on our investments was approximately 8.2%.

We calculate the weighted average capitalization rate on our investments by dividing annual expected net operating income derived from the properties by the total investment in the properties. Annual expected net operating income is defined as the straight-line rent for the base term of the lease less property level expenses (if any) that are not recoverable from the tenant.



### Dividends

During 2014, we increased our quarterly dividend twice, including an increase from \$0.41 per share to \$0.43 per share in March 2014 and an increase from \$0.43 per share to \$0.45 per share in December 2014.

The quarterly dividend of \$0.45 per share represents an annualized dividend of \$1.80 per share and an annualized dividend yield of approximately 5.8% based on the last reported sale price of our common stock on the NYSE of \$31.09 on December 31, 2014. We have paid a quarterly cash dividend for 83 consecutive quarters and, although we expect to continue our policy of paying quarterly dividends, we cannot guarantee that we will maintain our current level of dividends, that we will continue our recent pattern of increasing dividends per share, or what our actual dividend yield will be in any future period.

### Financing

In December 2014, we issued 2,587,500 shares of common stock at a price of \$29.67 per share, including 337,500 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. After underwriting discounts and other estimated offering costs of \$3.5 million, the net proceeds of approximately \$73.3 million were used to repay borrowings under our revolving credit facility, which were used primarily to fund property acquisitions.

In July 2014, we entered into a \$250.0 million senior unsecured revolving credit and term loan agreement consisting of a new \$150.0 million revolving credit facility (the "Credit Facility"), a new \$65.0 million term loan due 2021 (the "2021 Term Loan") and conforming amendments to our existing \$35.0 million term loan due 2020 (the "2020 Term Loan").

The Credit Facility matures July 21, 2018, with an additional one-year extension at our option, subject to customary conditions. Borrowings under the Credit Facility are priced at LIBOR plus 135 to 200 basis points, depending on the Company's leverage. The Credit Facility replaced our previous \$85.0 million revolving credit facility and may be increased to an aggregate of \$250.0 million at our election, subject to certain terms and conditions. As of December 31, 2014, \$15.0 million was outstanding under the Credit Facility bearing a weighted average interest rate of approximately 1.5%.

The 2021 Term Loan matures July 21, 2021. Borrowings under the 2021 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage. We entered into interest rate swaps to fix LIBOR at 2.09% until maturity, implying an all-in interest rate of 3.74% at closing. Proceeds from the 2021 Term Loan were used to repay borrowings under our previous revolving credit facility, which were used primarily to fund property acquisitions. As of December 31, 2014, \$65.0 million was outstanding under the 2021 Term Loan.

Additionally, conforming changes were made to certain terms and conditions of the 2020 Term Loan as part of the agreement. The maturity date and pricing remained unchanged. As of December 31, 2014, \$35.0 million was outstanding under the 2020 Term Loan.

### Dispositions

During 2014, we sold four properties for aggregate gross proceeds of \$12.9 million, which resulted in a loss of \$405,000. Dispositions included three non-core community shopping centers (Ironwood Commons in Ironwood, Michigan, Petoskey Town Center in Petoskey, Michigan and Chippewa Commons in Chippewa Falls, Wisconsin), as well as a ground leased parcel in East Lansing, Michigan that was subject to a purchase option exercised by the ground lessee. Ironwood Commons was reflected as property held for sale at December 31, 2013.

### Leasing

During 2014, excluding properties that were sold, we executed lease extensions on over 330,000 square feet of gross leasable area throughout the portfolio. The annual rent generated from these extensions was approximately \$1.8 million both before and after the extensions. Material extensions included a 90,500 square foot freestanding Kmart in Oscoda, Michigan, an 86,500 square foot Kmart at Marshall Plaza in Marshall, Michigan, a 52,300 square foot freestanding Kmart in Grayling, Michigan, a 20,000 square foot Staples at Central Michigan Commons in Mt. Pleasant, Michigan and a 52,000 square foot Best Buy at North Lakeland Plaza in Lakeland, Florida.

## **Business Strategies**

Our primary business objective is to generate consistent shareholder returns by investing in and actively managing a diversified portfolio of retail properties net leased to industry leading tenants. The following is a discussion of our investment, financing and asset management strategies:

### Investment Strategy

We are focused primarily on the fee simple ownership of properties net leased to national or large, regional retailers operating in e-commerce and recession resistant sectors. Our leases are typically long term, net leases that require the tenant to pay all property operating expenses, including real estate taxes, insurance and maintenance. We believe that a diversified portfolio of such properties provides for stable and predictable cash flow.

We seek to expand and enhance our portfolio by identifying the best risk adjusted investment opportunities across our Acquisitions, Development and Joint Venture Capital Solutions platforms. Each platform leverages the Company's collective real estate acumen to pursue investments in net lease retail real estate.

Acquisitions: We launched our acquisitions platform in April 2010. Since its inception, we have acquired 139 properties for an aggregate purchase price of approximately \$377.6 million. These properties are net leased to over 50 different tenants representing more than 22 unique retail sectors and are located in 34 states. We pursue acquisition opportunities that meet both our real estate and return on investment criteria and that will diversify our existing portfolio.

Development and Joint Venture Capital Solutions: We have been developing retail properties since the formation of our predecessor in 1971 and have developed 61 of the 209 properties in our portfolio as of December 31, 2014, including 55 of our net lease properties and all six community shopping centers. We direct all aspects of the development process, including site selection, land acquisition, lease negotiation, due diligence, design and construction.

We launched our Joint Venture Capital Solutions (JVCS) platform in April 2012. Our JVCS program allows us to acquire properties by partnering with private developers on their in-process developments. We offer development and construction expertise, retailer relationships, access to capital and forward commitments to purchase that facilitate the successful completion of their projects. We typically own a 100% fee simple interest in JVCS projects upon completion.

We believe that development and JVCS projects have the potential to generate superior risk-adjusted returns on investment in properties that are substantially similar to those which we acquire.

### Financing Strategy

We seek to maintain a capital structure that provides us with the flexibility to manage our business and pursue our growth strategies, while allowing us to service our debt requirements and generate appropriate risk adjusted returns for our shareholders. We believe these objectives are best achieved by a capital structure that consists primarily of common equity and prudent amounts of debt financing. However, we may raise capital in any form and under terms that we deem acceptable and in the best interest of our shareholders.

We have historically utilized common equity offerings, secured mortgage borrowings, unsecured bank borrowings and the sale of properties to meet our capital requirements. We evaluate our financing policies on an on-going basis in light of current economic conditions, capital markets access, relative costs of equity and debt securities, market value of our properties and other factors.

At December 31, 2014, our ratio of total debt to total market capitalization, assuming the conversion of limited partnership interests in the Operating Partnership (OP Units), was approximately 28.5% and our ratio of total debt to total gross assets (before accumulated depreciation) was approximately 34.1%.

As of December 31, 2014, our total debt outstanding was \$221.8 million, including \$106.8 million of secured mortgage debt that had a weighted average fixed interest rate of 4.3% (including the effects of interest rate swap agreements) and a weighted average maturity of 5.1 years, \$100 million of unsecured term loan borrowings that had a weighted average fixed interest rate of 3.8% (including the effects of interest rate swap agreements) and a weighted average maturity of 6.3 years, and \$15.0 million of borrowings on our Credit Facility at a weighted average interest rate of approximately 1.5%.

Certain financial agreements to which we are a party contain covenants that limit our ability to incur debt under certain circumstances; however, our organizational documents do not limit the absolute amount or percentage of indebtedness that we may incur. As such, we may modify our borrowing policies at any time without shareholder approval.

### Asset Management

We maintain a proactive leasing and capital improvement program that, combined with the quality and locations of our properties, has made our properties attractive to tenants. We intend to continue to hold our properties for long-term investment and, accordingly, place a strong emphasis on the quality of construction and an on-going program of regular and preventative maintenance. Our properties are designed and built to require minimal capital improvements other than renovations or alterations paid for by tenants. At our six community shopping center properties, we sub contract on site functions such as maintenance, landscaping, snow removal and sweeping. The cost of these functions is generally reimbursed by our tenants. Personnel from our corporate headquarters conduct regular inspections of each property and maintain regular contact with major tenants.

We have a management information system designed to provide management with the operating data necessary to make informed business decisions on a timely basis. This system provides us rapid access to lease data, tenants sales history, cash flow budgets and forecasts. Such a system enables us to maximize cash flow from operations and closely monitor corporate expenses.

### **Financial and Asset Information about Industry Segments**

We are in the business of acquiring, developing and managing retail real estate which we consider one reporting segment. See Item 2 "Properties" and Item 6 "Selected Financial Data" for additional financial and asset information.

### **Competition**

The U.S. commercial real estate investment market is a highly competitive industry. We actively compete with many entities engaged in the acquisition, development and operation of commercial properties. As such, we compete with other investors for a limited supply of properties and financing for these properties. Investors include traded and non-traded public REITs, private equity firms, institutional investment funds, insurance companies and private individuals, some of which have greater financial resources than we do and the ability to accept more risk than we believe we can prudently manage. There can be no assurance that we will be able to compete successfully with such entities in our acquisition, development and leasing activities in the future.

### **Significant Tenants**

As of December 31, 2014, we lease 32 properties to Walgreens which represented approximately 21.9% of our total annualized base rent. The weighted average remaining lease term of our Walgreens leases was 13.8 years. No other tenant accounted for more than 5.0% of our annualized base rent as of December 31, 2014. See Item 2 "Properties" for additional information on our top tenants and the composition of our tenant base.

### **Regulation**

#### Environmental

Investments in real property create a potential for environmental liability on the part of the owner or operator of such real property. If hazardous substances are discovered on or emanating from a property, the owner or operator of the property may be held strictly liable for all costs and liabilities relating to such hazardous substances. We have obtained a Phase I environmental study (which involves inspection without soil sampling or ground water analysis) conducted by independent environmental consultants on each of our properties and, in certain instances, have conducted additional investigation, including a Phase II environmental assessment. Furthermore, we have adopted a policy of conducting a Phase I environmental study on each property we acquire and conducting additional investigation as warranted.

We have no knowledge of any hazardous substances existing on any of our properties in violation of any applicable laws; however, no assurance can be given that such substances are not located on any of the properties. We carry no insurance coverage for the types of environmental risks described above.

We believe that we are in compliance, in all material respects, with all federal, state and local ordinances and regulations regarding hazardous or toxic substances. Furthermore, we have not been notified by any governmental authority of any noncompliance, liability or other claim in connection with any of the properties.

#### Americans with Disabilities Act of 1990

Our properties, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990 and similar state and local laws and regulations (collectively, the "ADA"). Investigation of a property may reveal non-compliance with the ADA. The tenants will typically have primary responsibility for complying with the ADA, but we may incur costs if the tenant does not comply. As of December 31, 2014, we have not been notified by any governmental authority, nor are we otherwise aware, of any non-compliance with the ADA that we believe would have a material adverse effect on our business, financial position or results of operations.

### **Item 1A: Risk Factors**

#### **Cautionary Note Regarding Forward-Looking Statements**

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "anticipate," "estimate," "should," "expect," "believe," "intend," "may," "will," "seek," "could," "project," or similar expressions. Forward-looking statements in this report include information about possible or assumed future events, including, among other things, discussion and analysis of our future financial condition, results of operations, our strategic plans and objectives, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated expenditures of capital, and other matters. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations, include, but are not limited to: the global and national economic conditions and changes in general economic, financial and real estate market conditions; changes in our business strategy; risks that our acquisition and development projects will fail to perform as expected; the potential need to fund improvements or other capital expenditures out of operating cash flow; financing risks, such as the inability to obtain debt or equity financing on favorable terms or at all; the level and volatility of interest rates; our ability to re-lease space as leases expire; loss or bankruptcy of one or more of our major tenants; a failure of our properties to generate additional income to offset increases in operating expenses; our ability to maintain our qualification as real estate investment trust ("REIT") for federal income tax purposes and the limitations imposed on our business by our status as a REIT; legislative or regulatory changes, including changes to laws governing REITs; and other factors discussed in Item 1A. "Risk Factors" and elsewhere in this report and in subsequent filings with the Securities and Exchange Commission ("SEC"). We caution you that any such statements are based on currently available operational, financial and competitive information, and that you should not place undue reliance on these forward-looking statements, which reflect our management's opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur.

#### **Risks Related to Our Business and Operations**

##### ***Global economic and financial conditions may have a negative effect on our business and operations.***

Any worsening of economic conditions in our markets, including any disruption in the capital markets, could adversely affect our business and operations. Potential consequences of economic and financial conditions include:

- the financial condition of our tenants may be adversely affected, which may result in tenant defaults under the leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;
- current or potential tenants may delay or postpone entering into long-term net leases with us which could lead to reduced demand for commercial real estate;

- the ability to borrow on terms and conditions that we find acceptable may be limited or unavailable, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from acquisition and development activities, reduce our ability to make cash distributions to our stockholders and increase our future interest expense;
- our ability to access the capital markets may be restricted at a time when we would like, or need, to access those markets, which could have an impact on our flexibility to react to changing economic and business conditions;
- the recognition of impairment charges on or reduced values of our properties, which may adversely affect our results of operations or limit our ability to dispose of assets at attractive prices and may reduce the availability of buyer financing; and
- one or more lenders under the Credit Facility could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

We are also limited in our ability to reduce costs to offset the results of a prolonged or severe economic downturn given certain fixed costs and commitments associated with our operations. Such conditions could make it very difficult to forecast operating results, make business decisions and identify and address material business risks.

***Single-tenant leases involve significant risks of tenant default.***

We focus our development and investment activities on ownership of real properties that are net leased to a single tenant. Therefore, the financial failure of, or other default in payment by, a single tenant under its lease is likely to cause a significant reduction in our operating cash flows from that property and a significant reduction in the value of the property, and could cause a significant reduction in our revenues and a significant impairment loss. We may also incur significant losses to make the leased premises ready for another tenant and experience difficulty or a significant delay in re-leasing such property.

***Failure by any major tenant with leases in multiple locations to make rental payments to us, because of a deterioration of its financial condition or otherwise, would have a material adverse effect on us.***

We derive substantially all of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition, particularly during periods of economic uncertainty. As a result, our tenants may delay lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close a number of stores or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases and the loss of rental income attributable to the terminated leases. In addition, lease terminations by a major tenant or a failure by that major tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above would have a material adverse effect on our results of operations and our financial condition. See % We may be subject to tenant credit concentrations that make us more susceptible to adverse events with respect to those tenants,+below.

***We may be subject to tenant credit concentrations that make us more susceptible to adverse events with respect to those tenants.***

As of December 31, 2014, we derived approximately 21.9% of our annualized base rent from Walgreens. In the event of a default under its leases, we may experience delays in enforcing our rights as lessor and may incur substantial costs in seeking to protect our investment. Any bankruptcy, insolvency or failure to make rental payments, or any adverse change in its financial condition, or any other tenant to whom we may have a significant credit concentration now or in the future, would likely result in a material reduction of our cash flows and material losses to our company.

***Bankruptcy laws will limit our remedies if a tenant becomes bankrupt and rejects its leases.***

If a tenant becomes bankrupt or insolvent, that could diminish the income we receive from that tenants' leases. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its leasehold with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured prepetition claim subject to statutory limitations, and therefore such amounts received in bankruptcy are likely to be substantially less than the remaining rent we otherwise were owed under the leases. In addition, any claim we have for unpaid past rent could be substantially less than the amount owed.

***Certain of our tenants at our community shopping centers have the right to terminate their leases if other tenants cease to occupy a property.***

In the event that certain tenants cease to occupy a property, although under most circumstances such a tenant would remain liable for its lease payments, such an action may result in certain other tenants at our community shopping centers having the right to terminate their leases at the affected property, which could adversely affect the future income from that property. As of December 31, 2014, each of our community shopping centers had tenants with those provisions in their leases.

***Our portfolio has limited geographic diversification, which makes us more susceptible to adverse events in these areas.***

Our properties are located throughout the United States and in particular, the State of Michigan (with 45 properties or 27.8% of our annualized base rent as of December 31, 2014). An economic downturn or other adverse events or conditions such as terrorist attacks or natural disasters in these areas, or any other area where we may have significant concentration now or in the future, could result in a material reduction of our cash flows or material losses to our company.

***Risks associated with our development and acquisition activities.***

We intend to continue the development of new properties and to consider possible acquisitions of existing properties. We anticipate that our new developments will be financed under the Credit Facility or other forms of construction financing that will result in a risk that permanent financing on newly developed projects might not be available or would be available only on disadvantageous terms. In addition, new project development is subject to a number of risks, including risks of construction delays or cost overruns that may increase anticipated project costs, and new project commencement risks such as receipt of zoning, occupancy and other required governmental permits and authorizations and the incurrence of development costs in connection with projects that are not pursued to completion. If permanent debt or equity financing is not available on acceptable terms to finance new development or acquisitions undertaken without permanent financing, further development activities or acquisitions might be curtailed or cash available for distribution might be adversely affected. Acquisitions entail risks that investments will fail to perform in accordance with expectations, as well as general investment risks associated with any new real estate investment.

***Properties that we acquire or develop may be located in new markets where we may face risks associated with investing in an unfamiliar market.***

We may acquire or develop properties in markets that are new to us. When we acquire or develop properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures.

***We own certain of our properties subject to ground leases that expose us to the loss of such properties upon breach or termination of the ground leases and may limit our ability to sell these properties.***

We own certain of our properties through leasehold interests in the land underlying the buildings and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock. Our ground leases contain certain provisions that may limit our ability to sell certain of our properties. In order to assign or transfer our rights and obligations under certain of our ground leases, we generally must obtain the consent of the landlord which, in turn, could adversely impact the price realized from any such sale.

***Joint venture investments may expose us to certain risks.***

We may from time to time enter into joint venture transactions for portions of our existing or future real estate assets. Investing in this manner subjects us to certain risks, among them the following:

- We may not exercise sole decision-making authority regarding the joint venture's business and assets and, thus, we may not be able to take actions that we believe are in our company's best interests.
- We may be required to accept liability for obligations of the joint venture (such as recourse carve-outs on mortgage loans) beyond our economic interest.
- Our returns on joint venture assets may be adversely affected if the assets are not held for the long-term.

***The availability and timing of cash distributions is uncertain.***

We expect to continue to pay quarterly distributions to our stockholders. However, we bear all expenses incurred by our operations, and our funds generated by operations, after deducting these expenses, may not be sufficient to cover desired levels of distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. We cannot assure our stockholders that sufficient funds will be available to pay distributions.

***We depend on our key personnel.***

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, our executive officers, each of whom would be difficult to replace. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our executive officers or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our future development or acquisition operations, our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

***We face significant competition.***

We face competition in seeking properties for acquisition and tenants who will lease space in these properties from insurance companies, credit companies, pension or private equity funds, private individuals, investment companies, other REITs and other industry participants, many of which have greater financial and other resources than we do. There can be no assurance that we will be able to successfully compete with such entities in our development, acquisition and leasing activities in the future.

***We face risks relating to cybersecurity attacks, loss of confidential information and other business disruptions.***

Our business is at risk from and may be impacted by cybersecurity attacks, including attempts to gain unauthorized access to our confidential data and other electronic security breaches. Such cyber-attacks can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats. While we employ a number of measures to prevent, detect and mitigate these threats, there is no guarantee such efforts will be successful in preventing a cyber-attack. Cybersecurity incidents could compromise the confidential information of our tenants, employees and third party vendors and affect the efficiency of our business operations.

**General Real Estate Risk**

***Our performance and value are subject to general economic conditions and risks associated with our real estate assets.***

There are risks associated with owning and leasing real estate. Although many of our leases contain terms that obligate the tenants to bear substantially all of the costs of operating our properties, investing in real estate involves a number of risks. Income from and the value of our properties may be adversely affected by:

- Changes in general or local economic conditions;
- The attractiveness of our properties to potential tenants;
- Changes in supply of or demand for similar or competing properties in an area;
- Bankruptcies, financial difficulties or lease defaults by our tenants;
- Changes in operating costs and expense and our ability to control rents;
- Our ability to lease properties at favorable rental rates;
- Our ability to sell a property when we desire to do so at a favorable price;
- Unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- Changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder; and
- Unanticipated expenditures to comply with the Americans with Disabilities Act and other similar regulations.

Economic and financial market conditions have and may continue to exacerbate many of the foregoing risks. If a tenant fails to perform on its lease covenants, that would not excuse us from meeting any mortgage debt

obligation secured by the property and could require us to fund reserves in favor of our mortgage lenders, thereby reducing funds available for payment of cash dividends on our shares of common stock.

***The fact that real estate investments are relatively illiquid may reduce economic returns to investors.***

We may desire to sell a property in the future because of changes in market conditions or poor tenant performance or to avail ourselves of other opportunities. We may also be required to sell a property in the future to meet secured debt obligations or to avoid a secured debt loan default. Real estate properties cannot always be sold quickly, and we cannot assure you that we could always obtain a favorable price. We may be required to invest in the restoration or modification of a property before we can sell it. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on our common stock.

***Our ability to renew leases or re-lease space on favorable terms as leases expire significantly affects our business.***

We are subject to the risks that, upon expiration of leases for space located in our properties, the premises may not be re-let or the terms of re-letting (including the cost of concessions to tenants) may be less favorable than current lease terms. If a tenant does not renew its lease or if a tenant defaults on its lease obligations, there is no assurance we could obtain a substitute tenant on acceptable terms. If we cannot obtain another tenant with comparable structural needs, we may be required to modify the property for a different use, which may involve a significant capital expenditure and a delay in re-leasing the property. Further, if we are unable to re-let promptly all or a substantial portion of our retail space or if the rental rates upon such re-letting were significantly lower than expected rates, our net income and ability to make expected distributions to stockholders would be adversely affected. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases.

***A property that incurs a vacancy could be difficult to sell or re-lease.***

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. Certain of our properties may be specifically suited to the particular needs of a tenant. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

***Potential liability for environmental contamination could result in substantial costs.***

Under federal, state and local environmental laws, we may be required to investigate and clean up any release of hazardous or toxic substances or petroleum products at our properties, regardless of our knowledge or actual responsibility, simply because of our current or past ownership or operation of the real estate. If unidentified environmental problems arise, we may have to make substantial payments, which could adversely affect our cash flow and our ability to make distributions to our stockholders. This potential liability results from the following:

- As owner we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination.
- The law may impose clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination.
- Even if more than one person is responsible for the contamination, each person who shares legal liability under environmental laws may be held responsible for all of the clean-up costs.
- Governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous substances or petroleum products or the failure to properly remediate contamination may adversely affect our ability to borrow against, sell or lease an affected property. In addition, some environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination.

We own and may in the future acquire properties that will be operated as convenience stores and gas station facilities. The operation of convenience stores and gas station facilities at our properties will create additional



environmental concerns. We require that the tenants who operate these facilities do so in material compliance with current laws and regulations.

A majority of our leases require our tenants to comply with environmental laws and to indemnify us against environmental liability arising from the operation of the properties. However, we could be subject to strict liability under environmental laws because we own the properties. There is also a risk that tenants may not satisfy their environmental compliance and indemnification obligations under the leases. Any of these events could substantially increase our cost of operations, require us to fund environmental indemnities in favor of our secured lenders and reduce our ability to service our secured debt and pay dividends to stockholders and any debt security interest payments. Environmental problems at any properties could also put us in default under loans secured by those properties, as well as loans secured by unaffected properties.

***Uninsured losses relating to real property may adversely affect our returns.***

Our leases generally require tenants to carry comprehensive liability and extended coverage insurance on our properties. However, there are certain losses, including losses from environmental liabilities, terrorist acts or catastrophic acts of nature, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. If there is an uninsured loss or a loss in excess of insurance limits, we could lose both the revenues generated by the affected property and the capital we have invested in the property. In the event of a substantial unreimbursed loss, we would remain obligated to repay any mortgage indebtedness or other obligations related to the property.

**Risks Related to Our Debt Financings**

***Leveraging our portfolio subjects us to increased risk of loss, including loss of properties in the event of a foreclosure.***

At December 31, 2014, our ratio of total debt to total market capitalization (assuming conversion of OP Units) was approximately 28.5%. The use of leverage presents an additional element of risk in the event that (1) the cash flow from lease payments on our properties is insufficient to meet debt obligations, (2) we are unable to refinance our debt obligations as necessary or on as favorable terms or (3) there is an increase in interest rates. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the property could be foreclosed upon with a consequent loss of income and asset value to us. Under the %cross-default+ provisions contained in mortgages encumbering some of our properties, our default under a mortgage with a lender would result in our default under mortgages held on other properties resulting in multiple foreclosures.

We intend to maintain a ratio of total indebtedness (including construction or acquisition financing) to total market capitalization of 65% or less. Nevertheless, we may operate with debt levels which are in excess of 65% of total market capitalization for extended periods of time. Our organization documents contain no limitation on the amount or percentage of indebtedness which we may incur. Therefore, our board of directors, without a vote of the stockholders, could alter the general policy on borrowings at any time. If our debt capitalization policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our operating cash flow and our ability to make expected distributions to stockholders, and could result in an increased risk of default on our obligations.

***Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition.***

The terms of the Credit Facility and other indebtedness require us to comply with a number of customary financial and other covenants. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. The Credit Facility contains certain cross-default provisions which could be triggered in the event that we default on our other indebtedness. These cross-default provisions may require us to repay or restructure the Credit Facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

***Credit market developments may reduce availability under our credit agreements.***

There is risk that lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments, including but not limited to: extending credit up to the maximum permitted by a credit facility, allowing access to additional credit features

and/or honoring loan commitments. If our lender(s) fail to honor their legal commitments under our credit facilities, it could be difficult to replace our credit facilities on similar terms. The failure of any of the lenders under the Credit Facility may impact our ability to finance our operating or investing activities.

***Our hedging strategies may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on your investment.***

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. These instruments involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the REIT income tests. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

**Risks Related to Our Corporate Structure**

***Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.***

*Our charter contains a 9.8% ownership limit.* Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% of the value of our outstanding shares of common stock and preferred stock, except that the any member of the Agree-Rosenberg Group (as defined in our charter) (the %Agree-Rosenberg Group+) may own up to 24%. Our board of directors, in its sole discretion, may exempt, subject to the satisfaction of certain conditions, any person from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any person whose ownership, direct or indirect, in excess of 9.8% of the value of our outstanding shares of common stock and preferred stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede, and we may use the ownership limit deliberately to delay or impede, a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

*We have a staggered board.* Our directors are divided into three classes serving three-year staggered terms. The staggering of our board of directors may discourage offers for our company or make an acquisition more difficult, even when an acquisition is in the best interest of our stockholders.

*We have a shareholder rights plan.* Under the terms of this plan, we can in effect prevent a person or group from acquiring more than 15% of the outstanding shares of our common stock because, unless we approve of the acquisition, after the person acquires more than 15% of our outstanding common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their then fair market value. This would substantially reduce the value and influence of the stock owned by the acquiring person. Our board of directors can prevent the plan from operating by approving the transaction in advance, which gives us significant power to approve or disapprove of the efforts of a person or group to acquire a large interest in our company.

*We could issue stock without stockholder approval.* Our board of directors could, without stockholder approval, issue authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors could, without stockholder approval, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares. Our board of directors could establish a series of stock that could, depending on the terms of such series, delay, defer or prevent a transaction or change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

*Provisions of Maryland law may limit the ability of a third party to acquire control of our company.* Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under certain circumstances that otherwise could provide the holders of shares of

our common stock with the opportunity to realize a premium over the then prevailing market price of such shares, including:

- ~~%Business combination+~~ provisions that, subject to limitations, prohibit certain business combinations between us and an ~~%interested stockholder+~~ (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter would require the recommendation of our board of directors and impose special appraisal rights and special stockholder voting requirements on these combinations; and
- ~~%Control share+~~ provisions that provide that ~~%control shares+~~ of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a ~~%control share acquisition+~~ (defined as the direct or indirect acquisition of ownership or control of ~~%control shares+~~) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The business combination statute permits various exemptions from its provisions, including business combinations that are approved or exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has exempted from the business combination provisions of the Maryland General Corporation Law, or MGCL, any business combination with Mr. Richard Agree or any other person acting in concert or as a group with Mr. Richard Agree.

In addition, our bylaws contain a provision exempting from the control share acquisition statute any members of the Agree-Rosenberg Group, our other officers, our employees, any of the associates or affiliates of the foregoing and any other person acting in concert or as a group with any of the foregoing.

Additionally, Title 3, Subtitle 8 of the MGCL, permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price.

Our charter, our bylaws, the limited partnership agreement of the Operating Partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

***Our board of directors can take many actions without stockholder approval.***

Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

- Change our investment and financing policies and our policies with respect to certain other activities, including our growth, debt capitalization, distributions, REIT status and investment and operating policies;
- Within the limits provided in our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our stockholders;
- Issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;
- Classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;
- Employ and compensate affiliates;
- Direct our resources toward investments that do not ultimately appreciate over time;
- Change creditworthiness standards with respect to third-party tenants; and
- Determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving our stockholders the right to vote.

***Future offerings of debt and equity may not be available to us or may adversely affect the market price of our common stock.***

We expect to continue to increase our capital resources by making additional offerings of equity and debt securities in the future, which would include classes of preferred stock, common stock and senior or subordinated notes. Our ability to raise additional capital may be adversely impacted by market conditions. Future market dislocations could cause us to seek sources of potentially less attractive capital. All debt securities and other borrowings, as well as all classes of preferred stock, will be senior to our common stock in a liquidation of our company. Additional equity offerings could dilute our stockholders' equity, and reduce the market price of shares of our common stock. In addition, we may issue preferred stock with a distribution preference that may limit our ability to make distributions on our common stock. Our ability to estimate the amount, timing or nature of additional offerings is limited as these factors will depend upon market conditions and other factors.

***The market price of our stock may vary substantially.***

The market price of our common stock could be volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Among the market conditions that may affect the market price of our common stock are the following:

- Changes in interest rates;
- Our financial condition and operating performance and the performance of other similar companies;
- Actual or anticipated variations in our quarterly results of operations;
- The extent of investor interest in our company, real estate generally or commercial real estate specifically;
- The reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- Changes in expectations of future financial performance or changes in estimates of securities analysts;
- Fluctuations in stock market prices and volumes; and
- Announcements by us or our competitors of acquisitions, investments or strategic alliances.

***An officer and director may have interests that conflict with the interests of stockholders.***

An officer and member of our board of directors owns OP units in the Operating Partnership. This individual may have personal interests that conflict with the interests of our stockholders with respect to business decisions affecting us and the Operating Partnership, such as interests in the timing and pricing of property sales or refinancings in order to obtain favorable tax treatment. As a result, the effect of certain transactions on this unit holder may influence our decisions affecting these properties.

## **Federal Income Tax Risks**

***Complying with REIT requirements may cause us to forego otherwise attractive opportunities.***

To qualify as a REIT for federal income tax purposes we must continually satisfy numerous income, asset and other tests, thus having to forego investments we might otherwise make and hindering our investment performance.

***Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.***

We will be subject to increased taxation if we fail to qualify as a REIT for federal income tax purposes. Although we believe that we are organized and operate in such a manner so as to qualify as a REIT under the Internal Revenue Code, no assurance can be given that we will remain so qualified. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. The complexity of these provisions and applicable Treasury Regulations is also increased in the context of a REIT that holds its assets in partnership form. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. A REIT generally is not taxed at the corporate level on income it distributes to its stockholders, as long as it distributes annually at least 100% of its taxable income to its stockholders. We have not requested and do not plan to request a ruling from the Internal Revenue Service that we qualify as a REIT.

If we fail to qualify as a REIT, we will face tax consequences that will substantially reduce the funds available for payment of cash dividends:

- We would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates.
- We could be subject to the federal alternative minimum tax and possibly increased state and local taxes.
- Unless we are entitled to relief under statutory provisions, we could not elect to be treated as a REIT for four taxable years following the year in which we failed to qualify.

In addition, if we fail to qualify as a REIT, we will no longer be required to pay dividends (other than any mandatory dividends on any preferred shares we may offer). As a result of these factors, our failure to qualify as a REIT could adversely affect the market price for our common stock.

***Changes in tax laws may prevent us from maintaining our qualification as a REIT.***

As we have previously described, we intend to maintain our qualification as a REIT for federal income tax purposes. However, this intended qualification is based on the tax laws that are currently in effect. We are unable to predict any future changes in the tax laws that would adversely affect our status as a REIT. If there is a change in the tax law that prevents us from qualifying as a REIT or that requires REITs generally to pay corporate level income taxes, we may not be able to make the same level of distributions to our stockholders.

***An investment in our stock has various tax risks that could affect the value of your investment, including the treatment of distributions in excess of earnings and the inability to apply “passive losses” against distributions.***

An investment in our stock has various tax risks. Distributions in excess of current and accumulated earnings and profits, to the extent that they exceed the adjusted basis of an investor's stock, will be treated as long-term capital gain (or short-term capital gain if the shares have been held for less than one year). Any gain or loss realized upon a taxable disposition of shares by a stockholder who is not a dealer in securities will be treated as a long-term capital gain or loss if the shares have been held for more than one year, and otherwise will be treated as short-term capital gain or loss. Distributions that we properly designate as capital gain distributions will be treated as taxable to stockholders as gains (to the extent that they do not exceed our actual net capital gain for the taxable year) from the sale or disposition of a capital asset held for greater than one year. Distributions we make and gain arising from the sale or exchange by a stockholder of shares of our stock will not be treated as passive income, meaning stockholders generally will not be able to apply any passive losses against such income or gain.

***Excessive non-real estate asset values may jeopardize our REIT status.***

In order to qualify as a REIT, at least 75% of the value of our assets must consist of investments in real estate, investments in other REITs, cash and cash equivalents, and government securities. Therefore, the value of any properties we own that are not considered real estate assets for federal income tax purposes must represent in the aggregate less than 25% of our total assets. In addition, under federal income tax law, we may not own securities in any one issuer (other than a REIT, a qualified REIT subsidiary or a TRS) which represent in excess of 10% of the voting securities or 10% of the value of all securities of any one issuer, or which have, in the aggregate, a value in excess of 5% of our total assets, and we may not own securities of one or more TRSs which have, in the aggregate, a value in excess of 25% of our total assets. We may invest in securities of another REIT, and our investment may represent in excess of 10% of the voting securities or 10% of the value of the securities of the other REIT. If the other REIT were to lose its REIT status during a taxable year in which our investment represented in excess of 10% of the voting securities or 10% of the value of the securities of the other REIT as of the close of a calendar quarter, we may lose our REIT status.

Compliance with the asset tests is determined at the end of each calendar quarter. Subject to certain mitigation provisions, if we fail to meet any such test at the end of any calendar quarter, we will cease to qualify as a REIT.

***We may have to borrow funds or sell assets to meet our distribution requirements.***

Subject to some adjustments that are unique to REITs, a REIT generally must distribute 90% of its taxable income. For the purpose of determining taxable income, we may be required to accrue interest, rent and other items treated as earned for tax purposes but that we have not yet received. In addition, we may be required not to accrue as expenses for tax purposes some items which actually have been paid, including, for example, payments of principal on our debt, or some of our deductions might be disallowed by the Internal Revenue Service. As a result, we could have taxable income in excess of cash available for distribution. If this occurs, we may have to borrow funds or liquidate some of our assets in order to meet the distribution requirement applicable to a REIT.

***Future distributions may include a significant portion as a return of capital.***

Our distributions may exceed the amount of our income as a REIT. If so, the excess distributions will be treated as a return of capital to the extent of the stockholder's basis in our stock, and the stockholder's basis in our stock will be reduced by such amount. To the extent distributions exceed a stockholder's basis in our stock; the stockholder will recognize capital gain, assuming the stock is held as a capital asset.

***Our ownership of and relationship with our TRSs will be limited, and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.***

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. A TRS will typically pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Our TRSs will pay federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but will not be required to be distributed to us. There can be no assurance that we will be able to comply with the 25% limitation discussed above or to avoid application of the 100% excise tax discussed above.

***Liquidation of our assets may jeopardize our REIT qualification.***

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any gain if we sell assets in transactions that are considered to be prohibited transactions, which are explained in the risk factor below.

***We may be subject to other tax liabilities even if we qualify as a REIT.***

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including capital gains). Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from prohibited transactions, that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we will undertake sales of assets if those assets become inconsistent with our long-term strategic or return objectives, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the Internal Revenue Service would not contend otherwise. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that might otherwise be in our best interest to sell.

In addition, any net taxable income earned directly by our TRSs, or through entities that are disregarded for federal income tax purposes as entities separate from our TRSs, will be subject to federal and possibly state corporate income tax. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our stockholders.

***Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from regular corporations.***

The maximum tax rate for dividends payable to domestic stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our stock.

***Our ownership limit contained in our charter may be ineffective to preserve our REIT status.***

In order for us to qualify as a REIT for each taxable year, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year (the 5/50 Rule). Individuals for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to preserve our REIT qualification, our charter generally prohibits (i) any member of the Agree-Rosenberg Group from directly or indirectly owning more than 24% of the

value of our outstanding stock and (ii) any other person from directly or indirectly owning more than 9.8% of the value of our outstanding common stock and preferred stock, subject to certain exceptions. Because of the way our ownership limit is written, including because the limit on persons other than a member of the Agree-Rosenberg Group is not less than 9.8%, our charter limitation may be ineffective to ensure that we do not violate the 5/50 Rule.

***Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.***

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute qualifying income for purposes of income tests that apply to us as a REIT. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRSs.

**Item 1B: Unresolved Staff Comments**

There are no unresolved staff comments.

**Item 2: Properties**

As of December 31, 2014, our portfolio consisted of 209 properties located in 37 states and totaling approximately 4.3 million square feet of gross leasable area. Our portfolio included 203 net lease properties, which contributed approximately 91.6% of annualized base rent, and six community shopping centers, which generated the remaining 8.4% of annualized base rent.

As of December 31, 2014, our portfolio was approximately 98.6% leased and had a weighted average remaining lease term of approximately 11.9 years. A significant majority of our properties are leased to national tenants and approximately 55.8% of our annualized base rent was derived from tenants, or parents thereof, with an investment grade credit rating. Substantially all of our tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance. In addition, our tenants are typically subject to future rent increases based on fixed amounts or increases in the consumer price index and many leases provide for additional rent calculated as a percentage of the tenants' gross sales above a specified level.

**Property Type Summary**

The following table presents certain information about our properties as of December 31, 2014:

*(\$ in thousands)*

<u>Property Type</u>	<u>Number of Properties</u>	<u>Annualized Base Rent (1)</u>	<u>% of Ann. Base Rent</u>	<u>% IG Rated (2)</u>	<u>Wtd. Avg. Lease Term</u>
Retail Net Lease	180	\$45,834	81.1%	56.0%	12.3 yrs
Retail Net Lease (ground leases)	23	5,941	10.5%	89.1%	14.7 yrs
<b>Total Retail Net Lease</b>	<b>203</b>	<b>\$51,775</b>	<b>91.6%</b>	<b>59.8%</b>	<b>12.6 yrs</b>
Community Shopping Centers	6	4,729	8.4%	11.8%	4.9 yrs
<b>Total Portfolio</b>	<b>209</b>	<b>\$56,504</b>	<b>100.0%</b>	<b>55.8%</b>	<b>11.9 yrs</b>

(1) Represents annualized straight-line rent as of December 31, 2014.

(2) Reflects tenants, or parent entities thereof, with investment grade credit ratings from S&P, Moody's, Fitch and/or NAIC.

**Tenant Diversification**

The following table presents annualized base rents for all tenants that generated 2.0% or greater of our total annualized base rent as of December 31, 2014:

(\$ in thousands)

<b>Tenant / Concept</b>	<b>Annualized Base Rent (1)</b>	<b>% of Ann. Base Rent</b>
Walgreens	\$12,362	21.9%
Wawa	2,465	4.4%
CVS	2,463	4.4%
Wal-Mart	2,039	3.6%
Rite Aid	1,962	3.5%
Lowe's	1,846	3.3%
LA Fitness	1,694	3.0%
Kmart	1,618	2.9%
Taco Bell (2)	1,537	2.7%
Academy Sports	1,340	2.4%
Burger King (3)	1,241	2.2%
Kohl's	1,180	2.1%
AutoZone	1,163	2.1%
<b>Total</b>	<b>\$32,910</b>	<b>58.5%</b>

(1) Represents annualized straight-line rent as of December 31, 2014.

(2) Franchise restaurants operated by Charter Foods North, LLC.

(3) Franchise restaurants operated by Meridian Restaurants.

### Significant Tenants

Walgreens operates the largest drugstore chain in the United States and trades, through its holding company Walgreens Boot Alliance, Inc., on the Nasdaq stock exchange under the symbol ~~WBA~~ WBA+. For its fiscal year ended August 31, 2014, Walgreens had total assets of approximately \$37.2 billion, annual net sales of \$76.4 billion, annual net income of \$1.9 billion and shareholders' equity of \$20.6 billion. As of August 31, 2014, Walgreens operated 8,309 locations in 50 states, the District of Columbia, Puerto Rico and U.S. Virgin Islands.

On December 31, 2014, Walgreens and Alliance Boots GmbH completed a merger to form Walgreens Boots Alliance, Inc. Under a reorganization merger agreement approved by Walgreens shareholders, Walgreens became a wholly owned subsidiary of Walgreens Boots Alliance, Inc. and existing shares of Walgreens common stock were converted automatically into shares of Walgreens Boots Alliance common stock on a one-for-one basis.

The information set forth above was derived from the annual report on Form 10-K filed by Walgreens with respect to their 2014 fiscal year and the current report on Form 8-K filed by Walgreens Boot Alliance, Inc. with respect to the merger agreement. Additional information regarding Walgreens and Walgreens Boots Alliance, Inc. can be found in their public filings. These filings can be accessed at [www.sec.gov](http://www.sec.gov). We are unable to confirm, and make no representations with respect to the accuracy of these reports and therefore you should not place undue reliance on such information as it pertains to our operations.

### **Tenant Sector Diversification**

The following table presents annualized base rents for our top retail sectors as of December 31, 2014:



(\$ in thousands)

<b>Tenant Sector</b>	<b>Annualized Base Rent (1)</b>	<b>% of Ann. Base Rent</b>
Pharmacy	\$16,788	29.7%
Restaurants - Quick Service	4,247	7.5%
Apparel	3,423	6.1%
Warehouse Clubs	2,957	5.2%
Sporting Goods	2,736	4.8%
Convenience Stores	2,599	4.6%
Health & Fitness	2,546	4.5%
Grocery Stores	2,426	4.3%
General Merchandise	2,006	3.6%
Restaurants - Casual Dining	1,848	3.3%
Home Improvement	1,846	3.3%
Financial Services	1,693	3.0%
Other (2)	11,389	20.1%
<b>Total</b>	<b>\$56,504</b>	<b>100.0%</b>

(1) Represents annualized straight-line rent as of December 31, 2014.

(2) Includes sectors generating less than 3.0% of annualized base rent.

### **Geographic Diversification**

The following table presents annualized base rents, by state, for our portfolio as of December 31, 2014:

(\$ in thousands)

<b>Tenant Sector</b>	<b>Annualized Base Rent (1)</b>	<b>% of Ann. Base Rent</b>
Michigan	\$15,718	27.8%
Florida	6,899	12.2%
Ohio	3,516	6.2%
Illinois	3,269	5.8%
Pennsylvania	2,796	4.9%
Georgia	1,780	3.2%
North Carolina	1,747	3.1%
Texas	1,529	2.7%
New York	1,551	2.7%
Missouri	1,411	2.5%
Kansas	1,273	2.3%
California	1,238	2.2%
North Dakota	1,222	2.2%
Indiana	1,201	2.2%
Oregon	1,134	2.0%
Tennessee	1,063	1.9%
Virginia	1,038	1.8%
South Carolina	977	1.7%
Colorado	821	1.5%
Utah	756	1.3%
Minnesota	637	1.1%
Kentucky	634	1.1%
New Jersey	590	1.0%
Alabama	523	0.9%
Louisiana	396	0.7%
Connecticut	403	0.7%
Washington	339	0.6%
Delaware	326	0.6%
South Dakota	326	0.6%
Maryland	277	0.5%
Nevada	224	0.4%
Wisconsin	204	0.4%
Arizona	175	0.3%
Montana	184	0.3%
Mississippi	151	0.3%
Oklahoma	96	0.2%
Nebraska	80	0.1%
<b>Total</b>	<b>\$56,504</b>	<b>100.0%</b>

(1) Represents annualized straight-line rent as of December 31, 2014.

### Lease Expirations

The following table presents contractual lease expirations within the Company's portfolio as of December 31, 2014, assuming that no tenants exercise renewal options:

(in thousands)

Year	Leases	Annualized Base Rent (1)		Gross Leasable Area	
		Amount	% of Total	Amount	% of Total
2015	7	\$726	1.3%	152	3.5%
2016	9	318	0.6%	35	0.8%
2017	12	1,867	3.3%	134	3.1%
2018	16	2,085	3.7%	305	7.1%
2019	15	3,738	6.6%	344	8.0%
2020	15	2,740	4.8%	321	7.4%
2021	15	4,256	7.5%	256	5.9%
2022	12	2,605	4.6%	257	6.0%
2023	15	2,419	4.3%	221	5.1%
2024	12	3,095	5.5%	210	4.9%
Thereafter	135	32,655	57.8%	2,080	48.2%
<b>Total</b>	<b>263</b>	<b>\$56,504</b>	<b>100.0%</b>	<b>4,315</b>	<b>100.0%</b>

(1) Represents annualized straight-line rent as of December 31, 2014.

### Community Shopping Centers

Our six community shopping centers range in size from 20,000 to 241,458 square feet of GLA. Our community shopping centers are anchored by national tenants.

The location and primary occupancy information with respect to the community shopping centers as of December 31, 2014 are set forth below:

Property	Location	Year Completed / Renovated	Gross Leasable Area (Sq. Ft.)	Annualized Base Rent (1)	Annualized Base Rent per Sq. Ft (2)	Percent Leased at December 31, 2014	Anchor Tenants (Lease Expiration / Option Expiration) (3)
Capital Plaza	Frankfort, KY	1978 / 2006	116,212	\$634,000	\$5.46	100%	Kmart (2018 / 2053) Walgreens (2032 / 2052)
Marshall Plaza	Marshall, MI	1990	119,479	\$701,601	\$5.87	100%	Kmart (2020 / 2065)
Central Michigan Commons	Mt. Pleasant, MI	1973 / 1997	241,458	\$927,495	\$4.50	85%	Kmart (2018 / 2048) JC Penney (2015 / 2035) Staples (2020 / 2030)
Nor h Lakeland Plaza	Lakeland, FL	1987	171,397	\$1,339,945	\$7.82	100%	Best Buy (2021 / 2028) Beall's (2020 / 2035)
Ferris Commons	Big Rapids, MI	1990	169,524	\$1,016,993	\$6.00	100%	Kmart (2015 / 2065) MC Sports (2018 / 2033)
West Frankfort Plaza	West Frankfort, IL	1982	20,000	\$108,586	\$6.79	80%	
<b>Totals</b>			<b>838,070</b>	<b>\$4,728,620</b>	<b>\$5.64</b>	<b>95%</b>	

(1) Represents annualized straight-line rent as of December 31, 2014.

(2) Calculated as total annualized base rent divided by leased GLA.

(3) Only the tenant has the option to extend a lease beyond the initial term.

**Item 3: Legal Proceedings**

From time to time, we are involved in legal proceedings in the ordinary course of business. We are not presently involved in any litigation nor, to our knowledge, is any other litigation threatened against us, other than routine litigation arising in the ordinary course of business, which is expected to be covered by our liability insurance and all of which collectively is not expected to have a material adverse effect on our liquidity, results of operations or business or financial condition.

**Item 4: Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NYSE under the symbol %ADC.+ The following table sets forth the high and low closing prices of our common stock, as reported on the NYSE, and the dividends declared per share of common stock by us for each calendar quarter in the last two fiscal years. Dividends were paid in the periods immediately subsequent to the periods in which such dividends were declared.

<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>	<u>Dividends Declared</u>
March 31, 2014	\$31.67	\$28.17	\$0.43
June 30, 2014	\$31.22	\$29.22	\$0.43
September 30, 2014	\$30.82	\$27.38	\$0.43
December 31, 2014	\$31.63	\$27.09	\$0.45
March 31, 2013	\$30.10	\$26.89	\$0.41
June 30, 2013	\$33.85	\$28.75	\$0.41
September 30, 2013	\$32.48	\$26.81	\$0.41
December 31, 2013	\$32.16	\$27.77	\$0.41

On February 27, 2015, the reported closing sale price per share of common stock on the NYSE was \$32.83.

At February 27, 2015, there were 17,617,747 shares of our common stock issued and outstanding which were held by approximately 139 stockholders of record. The number of stockholders of record does not reflect persons or entities that held their shares in nominee or %street+ name. In addition, at February 27, 2015 there were 347,619 outstanding OP Units held by a limited partner other than our Company. The OP Units are exchangeable into shares of common stock on a one-for-one basis.

For 2014, we paid \$1.74 per share of common stock in dividends. Of the \$1.74, 80.35% represented ordinary income, and 19.65% represented return of capital, for tax purposes. For 2013, we paid \$1.64 per share of common stock in dividends. Of the \$1.64, 83.7% represented ordinary income, and 16.3% represented return of capital, for tax purposes.

We intend to continue to declare quarterly dividends to our stockholders. However, our distributions are determined by our board of directors and will depend upon cash generated by operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the board of directors deems relevant. We have historically paid cash dividends, although we may choose to pay a portion in stock dividends in the future. To qualify as a REIT, we must distribute at least 90% of our REIT taxable income prior to net capital gains to our stockholders, as well as meet certain other requirements. We must pay these distributions in the taxable year the income is recognized; or in the following taxable year if they are declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year. Such distributions are treated for REIT tax purposes as paid by us and received by our stockholders on December 31 of the year in which they are declared. In addition, at our election, a distribution for a taxable year may be declared in the following taxable year if it is declared before we timely file our tax return for such year and if paid on or

before the first regular dividend payment after such declaration. These distributions qualify as dividends paid for the 90% REIT distribution test for the previous year and are taxable to holders of our capital stock in the year in which paid.

During the year ended December 31, 2014, we did not sell any unregistered securities. During the fourth quarter of 2014, we did not repurchase any of our equity securities.

For information about our equity compensation plan, please see Part III, Item 12 of this Annual Report on Form 10-K.

## Item 6: Selected Financial Data

The following table sets forth our selected financial information on a historical basis and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report on Form 10-K. Certain amounts have been reclassified to conform to the current presentation of discontinued operations. The balance sheet for the periods ending December 31, 2010 through 2014 and operating data for each of the periods presented were derived from our audited financial statements.

### Selected Financial Data

(in thousands, except per share information and other data)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
<b>Operating Data</b>					
Total revenues	\$ 53,559	\$ 43,518	\$ 34,624	\$ 30,263	\$ 26,235
Expenses					
Property costs (1)	4,917	3,656	3,328	3,469	2,730
General and administrative	6,629	5,952	5,682	5,662	5,003
Interest	8,587	6,475	5,134	3,957	3,461
Depreciation and amortization	11,103	8,489	6,241	5,200	4,119
Impairments	3,020	-	-	600	6,160
Total Expenses	34,256	24,572	20,385	18,888	21,473
Income From Operations	19,303	18,946	14,239	11,375	4,762
Gain on extinguishment of debt	-	-	-	2,360	-
Loss on sale of assets	(528)	-	-	-	-
Income From Continuing Operations	18,775	18,946	14,239	13,735	4,762
Gain on sale of asset from discontinued operations	123	946	2,097	110	4,738
Income (loss) from discontinued operations	15	298	2,267	(3,956)	6,128
Net income	18,913	20,190	18,603	9,889	15,628
Less net income attributable to non-controlling interest	425	515	554	338	561
Net income attributable to Agree Realty Corporation	\$ 18,488	\$ 19,675	\$ 18,049	\$ 9,551	\$ 15,067
<b>Share Data</b>					
Weighted average common shares - diluted	14,967	13,158	11,137	9,681	9,191
Net income per share - diluted	\$ 1.24	\$ 1.50	\$ 1.62	\$ 0.99	\$ 1.64
Cash dividends per share	\$ 1.74	\$ 1.64	\$ 1.60	\$ 1.60	\$ 2.04
<b>Balance Sheet Data</b>					
Real Estate (before accumulated depreciation)	\$ 589,147	\$ 471,366	\$ 398,812	\$ 340,074	\$ 338,221
Total Assets	\$ 593,580	\$ 462,742	\$ 370,093	\$ 293,944	\$ 285,042
Total Debt, including accrued interest	\$ 222,483	\$ 158,869	\$ 161,242	\$ 120,032	\$ 100,128
<b>Other Data</b>					
Number of Properties	209	130	109	87	81
Gross Leasable Area (Sq. Ft.)	4,315,000	3,662,000	3,259,000	3,556,000	3,848,000
Percentage Leased	99%	98%	98%	93%	99%

(1) Property costs include real estate taxes, insurance, maintenance and land lease expense.

## **Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the consolidated financial statements, and related notes thereto, included elsewhere in this Annual Report on Form 10-K and the Special Note Regarding Forward-Looking Statements in Item 1A Risk Factors above.

### **Overview**

We are a fully integrated REIT primarily focused on the ownership, acquisition, development and management of retail properties net leased to industry leading tenants. We were founded in 1971 by our current Executive Chairman, Richard Agree, and listed on the NYSE in 1994. Our assets are held by, and all of our operations are conducted through, directly or indirectly, the Operating Partnership, of which we are the sole general partner and in which we held a 98.06% interest as of December 31, 2014.

As of December 31, 2014, our portfolio consisted of 209 properties located in 37 states and totaling approximately 4.3 million square feet of gross leasable area. As of December 31, 2014, our portfolio was approximately 98.6% leased and had a weighted average remaining lease term of approximately 11.9 years. Substantially all of our tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance.

We have elected to be taxed as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 1994. We believe that we have been organized and have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes and we intend to continue operating in such a manner.

### **Recent Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08 "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" which updates ASC 205 "Presentation of Financial Statements" and ASC 360 "Property, Plant and Equipment." The amendments in this update change the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. For public entities, ASU 2014-08 is effective prospectively for fiscal years beginning after December 15, 2015; however, early adoption is permitted, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We have elected to early adopt this updated standard effective in the first quarter of 2014. The adoption of this guidance had an effect on the presentation of our consolidated financial statements. Beginning in 2014, activities related to individual sales of properties are generally no longer classified as discontinued operations except for the property classified as held for sale as of December 31, 2013.

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09 Revenue from Contracts with Customers as a new Topic, Accounting Standards Codification ("ASC") Topic 606. The objective of ASU 2014-19 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC, including revenue from leases. This ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is not permitted. The Company is currently evaluating the new guidance and has not determined the impact, if any, this standard may have on the consolidated financial statements.

### **Critical Accounting Policies**

Our accounting policies are determined in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of our financial statements requires us to make estimates and assumptions that are subjective in nature and, as a result, our actual results could differ materially from our estimates. Set forth below are the more critical accounting policies that require management judgment and estimates in the preparation of our consolidated financial statements. This summary should be read in conjunction with the more complete discussion of our accounting policies and procedures included in Note 2 to our consolidated financial statements.

### Revenue Recognition

We lease real estate to our tenants under long-term net leases which we account for as operating leases. Under this method, leases that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. Rental increases based upon changes in the consumer price indexes, or other variable factors, are recognized only after changes in such factors have occurred and are then applied according to the lease agreements. Certain leases also provide for additional rent based on tenants sales volumes. These rents are recognized when determinable by us after the tenant exceeds a sales breakpoint. Contractually obligated reimbursements from tenants for recoverable real estate taxes and operating expenses are generally included in operating costs reimbursement in the period when such expenses are recorded.

### Real Estate Investments

We record the acquisition of real estate at cost, including acquisition and closing costs. For properties developed by us, all direct and indirect costs related to planning, development and construction, including interest, real estate taxes and other miscellaneous costs incurred during the construction period, are capitalized for financial reporting purposes and recorded as property under development until construction has been completed.

### Accounting for Acquisitions of Real Estate

The acquisition of property for investment purposes is typically accounted for as an asset acquisition. We allocate the purchase price to land, building and identified intangible assets and liabilities, based in each case on their relative estimated fair values and without giving rise to goodwill. Intangible assets and liabilities represent the value of in-place leases and above or below market leases. In making estimates of fair values, we may use a number of sources, including data provided by independent third parties, as well as information obtained by us as a result of our due diligence, including expected future cash flows of the property and various characteristics of the markets where the property is located.

### Depreciation

Our real estate portfolio is depreciated using the straight-line method over the estimated remaining useful life of the properties, which generally ranges from 30 to 40 years for buildings and 10 to 20 years for improvements.

### Impairments

We review our real estate investments periodically for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events or circumstances that may occur include, but are not limited to, significant changes in real estate market conditions or our ability to re-lease or sell properties that are vacant or become vacant. Management determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the residual value of the real estate, with the carrying cost of the individual asset. An asset is considered impaired if its carrying value exceeds its estimated undiscounted cash flows and an impairment charge is recorded in the amount by which the carrying value of the asset exceeds its estimated fair value.

## **Results of Operations**

### **Comparison of Year Ended December 31, 2014 to Year Ended December 31, 2013**

Minimum rental income increased \$8,508,000, or 21%, to \$49,403,000 in 2014, compared to \$40,895,000 in 2013. Approximately \$6,809,000 of the increase is due to the acquisition of 77 properties in 2014 and the full year impact of 18 properties acquired in 2013. Approximately \$2,158,000 of the increase is attributable to five development projects completed in 2014 and the full year impact of six development projects completed in 2013. These increases were partially offset by approximately \$341,000 due to a reduction in minimum rental income from properties sold during 2014 that were owned for all of 2013, and approximately \$101,000 due to other minimum rental income adjustments.

Percentage rents increased to \$160,000 in 2014 from \$36,000 in 2013. The primary driver of the increase is properties acquired in 2013 for which we received percentage rent in 2014.

Operating cost reimbursements increased \$1,257,000, or 49%, to \$3,825,000 in 2014, compared to \$2,567,000 in 2013. Operating cost reimbursements increased due to higher levels of recoverable property operating expenses as a result of our 2014 and 2013 acquisition and development activity. Our portfolio recovery rate increased to 86.1% in 2014 compared to 79.5% in 2013.

Other income increased to \$171,000 in 2014 from \$19,000 in 2013. The primary driver of the increase is non-recurring fee income earned in 2014.

Real estate taxes increased \$730,000, or 36%, to \$2,766,000 in 2014, compared to \$2,035,000 in 2013. The increase is due to the ownership of additional properties in 2014 compared to 2013 for which we remit real estate taxes and are subsequently reimbursed by tenants.

Property operating expenses increased \$486,000, or 41%, to \$1,679,000 in 2014, compared to \$1,193,000 in 2013. The increase is primarily due to the ownership of additional properties in 2014 compared to 2013 which contributed to higher property maintenance, utilities and insurance expenses. Our tenants subsequently reimbursed us for the majority of these expenses.

Land lease payments increased \$44,000, or 10%, to \$472,000 in 2014, compared to \$428,000 for 2013. The increase is the result a property acquired in 2014 that is subject to a land lease.

General and administrative expenses increased \$677,000, to \$6,629,000 in 2014, compared to \$5,952,000 in 2013. The increase is primarily the result of increased employee costs of \$582,000 and a net increase in other expenses of \$66,000. General and administrative expenses as a percentage of total revenue decreased to 12.4% for 2014 from 13.7% in 2013.

Depreciation and amortization increased \$2,613,000, or 31%, to \$11,103,000 in 2014, compared to \$8,489,000 in 2013. The increase was primarily the result of the acquisition of 77 properties in 2014 and 18 properties in 2013.

We recognized impairment charges of \$3,020,000 in 2014, including (i) \$220,000 as a result of writing down the carrying value of Petoskey Town Center, which was under contract for sale, but not classified as held for sale at September 30, 2014 due to contingencies associated with the contract and (ii) \$2,800,000 as a result of writing down the carrying value of Chippewa Commons due to an anchor tenant declining to exercise an extension option which would contribute to vacancy and diminished cash flows and resulted in a fair value that was less than the net book value of the asset. We recognized an impairment charge of \$450,000 in 2013 as a result of writing down the carrying value of Ironwood Commons, which was under contract for sale, but not classified as held for sale at September 30, 2013 due to contingencies associated with the contract. This amount is reflected in discontinued operations in 2013.

Interest expense increased \$2,112,000, or 33%, to \$8,587,000 in 2014, from \$6,475,000 in 2013. The increase in interest expense is a result of higher levels of borrowings to finance the acquisition and development of additional properties in 2014 and 2013, including a \$65,000,000 unsecured term loan entered into in July of 2014 and a \$35,000,000 unsecured term loan entered into in September of 2013.

We recognized a net loss on sales of assets of \$528,000 in 2014 which was attributable primarily to a \$234,000 loss on the sale of Chippewa Commons in December 2014 and a \$276,000 loss on the sale of a property in East Lansing, Michigan in August 2014 (the property was subject to a purchase option exercised by the lessee). We also recognized a gain of \$123,000 on the sale of the Ironwood Commons in January 2014. This gain is reflected in discontinued operations in 2014. In 2013, we recognized a gain of \$946,000 on the sale of a Walgreens in Ypsilanti, Michigan. This gain is reflected in discontinued operations in 2013.

Income from discontinued operations was \$15,000 in 2014 compared to \$298,000 in 2013. Income from discontinued operations in 2014 was attributable to Ironwood Commons which was classified as held for sale at December 31, 2013 and subsequently sold in January 2014. Income from discontinued operations in 2013 was attributable to Ironwood Commons, inclusive of the \$450,000 impairment charge described above, and a Walgreens in Ypsilanti, Michigan that was sold in January 2013.

Our net income decreased \$1,277,000, or 6%, to \$18,913,000 in 2014, from \$20,190,000 in 2013 as a result of the foregoing factors.

#### **Comparison of Year Ended December 31, 2013 to Year Ended December 31, 2012**

Minimum rental income increased \$8,326,000, or 26%, to \$40,895,000 in 2013, compared to \$32,569,000 in 2012. Approximately \$7,002,000 of the increase was due to the acquisition of 18 properties in 2013 and the full year impact of 25 properties acquired in 2012. Approximately \$1,185,000 of the increase was attributable to six



development projects completed in 2013 and the full year impact of two development projects completed in 2012. Additionally, minimum rental income increased by approximately \$139,000 as a result of other rent adjustments.

Percentage rents increased to \$36,000 in 2013 from \$24,000 in 2012.

Operating cost reimbursements increased \$596,000, or 30%, to \$2,567,000 in 2013, compared to \$1,971,000 in 2012. Operating cost reimbursements increased due to higher levels of recoverable property operating expenses as a result of our 2013 and 2012 acquisition and development activity. Our portfolio recovery rate increased to 79.5% in 2013 compared to 71.6% in 2012.

Other income decreased to \$19,000 in 2013 compared to \$60,000 in 2012. The primary driver of the decrease was non-recurring fee income earned in 2012.

Real estate taxes increased \$249,000, or 14%, to \$2,035,000 in 2013, compared to \$1,786,000 in 2012. The increase is due to the ownership of additional properties in 2013 compared to 2012 for which we remit real estate taxes and are subsequently reimbursed by tenants.

Property operating expenses increased \$225,000, or 23%, to \$1,193,000 in 2013, compared to \$968,000 in 2012. The increase is primarily due to the ownership of additional properties in 2013 compared to 2012 which contributed to higher property maintenance, utilities and insurance expenses. Our tenants subsequently reimbursed us for the majority of these expenses.

Land lease payments decreased \$146,000, or 25%, to \$428,000 in 2013 compared to \$574,000 for 2012. The decrease is the result of our purchase of the underlying land at our property in Ann Arbor, Michigan in June 2012.

General and administrative expenses increased \$270,000, to \$5,952,000 in 2013 compared to \$5,682,000 in 2012. The increase in general and administrative expenses was primarily the result of increased employee costs of \$196,000, increased professional fees of \$99,000, offset by net decreases in other expenses of \$25,000. General and administrative expenses as a percentage of total revenue decreased to 13.7% for 2013 from 16.4% in 2012.

Depreciation and amortization increased \$2,248,000, or 36%, to \$8,489,000 in 2013 compared to \$6,241,000 in 2012. The increase was primarily the result of the acquisition of 18 properties in 2013 and 25 properties in 2012.

Interest expense increased \$1,341,000, or 26%, to \$6,475,000 in 2013, from \$5,134,000 in 2012. The increase in interest expense was a result of higher levels of borrowings to finance the acquisition and development of additional properties in 2013 and 2012, including a \$35,000,000 unsecured term loan entered into in September of 2013, a \$25,000,000 secured term loan entered into in December 2012 and a \$23,600,000 Commercial Mortgage Backed Security (CMBS) financing that closed in December 2012.

In 2013, we recognized a gain of \$946,000 on the sale of a Walgreens in Ypsilanti, Michigan. This gain is reflected in discontinued operations in 2013. In 2012 we recognized a net gain of \$2,097,000 on the sale of six assets, including a vacant single tenant office property, two vacant single tenant retail properties, a Kmart-anchored shopping center in Charlevoix, Michigan, a Kmart-anchored shopping center in Plymouth, Wisconsin and a Kmart-anchored shopping center in Shawano, Wisconsin.

Income from discontinued operations was \$298,000 in 2013 compared to \$2,267,000 in 2012. Income from discontinued operations in 2013 was attributable to Ironwood Commons, inclusive of a \$450,000 impairment charge, and a Walgreens in Ypsilanti, Michigan that was sold in January 2013. Income from discontinued operations in 2012 was attributable to six properties that were sold during 2012, four former Borders properties that were conveyed to the lender in March 2012, and a Walgreens in Ypsilanti, Michigan which was classified as held for sale at December 31, 2012 and subsequently sold in January 2013.

Our net income increased \$1,586,000, or 9%, to \$20,190,000 in 2013, from \$18,604,000 in 2012 as a result of the foregoing factors.

### **Liquidity and Capital Resources**

Our principal demands for funds include payment of operating expenses, payment of principal and interest on our outstanding indebtedness, distributions to our shareholders and future property acquisitions and development.

We expect to meet our short term liquidity requirements through cash provided from operations and borrowings under our Credit Facility. As of December 31, 2014, \$15,000,000 was outstanding on our Credit Facility and \$135,000,000 was available for future borrowings. We anticipate funding our long term capital needs through cash provided from operations, borrowings under our Credit Facility, the issuance of long term debt or the issuance of common or preferred equity or other instruments convertible into or exchangeable for common or preferred equity.

We continually evaluate alternative financing and believe that we can obtain financing on reasonable terms. However, there can be no assurance that additional financing or capital will be available, or that the terms will be acceptable or advantageous to us.

### **Capitalization**

As of December 31, 2014, our total market capitalization was approximately \$777,887,000. Market capitalization consisted of \$556,124,000 of common equity (based on the December 31, 2014 closing price on the NYSE of \$31.09 per common share and assuming the conversion of OP Units) and \$221,762,200 of total debt including (i) \$106,762,000 of mortgage notes payable; (ii) \$100,000,000 of unsecured term loans; and (iii) \$15,000,000 of borrowings under our Credit Facility. Our ratio of total debt to total market capitalization was 28.5% at December 31, 2014.

At December 31, 2014, the non-controlling interest in our Operating Partnership represented ownership of 1.94% of the Operating Partnership. The OP Units may, under certain circumstances, be exchanged for our shares of common stock on a one-for-one basis. We, as sole general partner of the Operating Partnership, have the option to settle exchanged OP Units held by others for cash based on the current trading price of our shares. Assuming the exchange of all OP Units, there would have been 17,887,565 shares of common stock outstanding at December 31, 2014.

### **Debt**

#### Revolving Credit and Term Loan Facility

In July 2014, the Company entered into a \$250,000,000 senior unsecured revolving credit and term loan agreement consisting of (i) a new \$150,000,000 revolving credit facility (the "Credit Facility"); (ii) a new \$65,000,000 seven-year unsecured term loan facility (the "2021 Term Loan"); and (iii) our existing \$35,000,000 unsecured term loan facility due 2020 (the "2020 Term Loan"). The Credit Facility, 2021 Term Loan and 2020 Term Loan, together, are referred to as our "Revolving Credit and Term Loan Facility".

The Credit Facility is due July 21, 2018, with an additional one-year extension at the Company's option, subject to customary conditions. Borrowings under the Credit Facility are priced at LIBOR plus 135 to 200 basis points, depending on the Company's leverage. As of December 31, 2014, \$15,000,000 was outstanding under the Credit Facility bearing a weighted average interest rate of approximately 1.5% and \$135,000,000 was available for borrowing.

The 2021 Term Loan matures on July 21, 2021. Borrowings under the 2021 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage. The Company entered into interest rate swaps to fix LIBOR at 2.09% until maturity, implying an all-in interest rate of 3.74% at closing. As of December 31, 2014, \$65,000,000 was outstanding under the 2021 Term Loan.

The 2020 Term Loan matures on September 29, 2020. Borrowings under the 2020 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage. The Company entered into interest rate swaps to fix LIBOR at 2.20% until maturity, implying an all-in interest rate of 3.85% at closing. As of December 31, 2014, \$35,000,000 was outstanding under the 2020 Term Loan.

The Revolving Credit and Term Loan Facility contains customary covenants, including, among others, financial covenants regarding debt levels, total liabilities, tangible net worth, fixed charge coverage, unencumbered borrowing base properties, and permitted investments. The Company was in compliance with the covenant terms at December 31, 2014.

#### Mortgage Notes Payable

As of December 31, 2014, we had total mortgage indebtedness of \$106,762,000 with a weighted average maturity of 5.1 years. Including our mortgages that have been swapped to a fixed interest rate, our weighted average interest rate on mortgage debt was 4.27%.

(\$ in thousands)

<b>Mortgage Note Payable</b>	<b>Interest Rate (1)</b>	<b>Maturity</b>	<b>Principal Amount Outstanding</b>	
			<b>December 31, 2014</b>	<b>December 31, 2013</b>
Portfolio Mortgage Loan due 2016	6.56%	June 2016	\$ 8,580	\$ 8,580
Portfolio Mortgage Loan due 2017	6.63%	February 2017	2,406	3,405
Secured Term Loan due 2017	3.62%	May 2017 (2)	21,398	22,018
Secured Term Loan due 2018	2.49%	April 2018	25,000	25,000
Portfolio Mortgage Loan due 2020	6.90%	January 2020	7,896	9,150
Single Asset Mortgage Loan due 2020	6.24%	January 2020	3,204	3,275
CMBS Portfolio Loan due 2023	3.60%	January 2023	23,640	23,640
Single Asset Mortgage Loan due 2023	5.01%	September 2023	5,595	-
Portfolio CTL due 2026	6.27%	July 2026	9,043	9,558
Single Asset Mortgage Loan due 2014	4.16%	June 2014	-	9,272
<b>Total</b>			<b>\$ 106,762</b>	<b>\$ 113,898</b>

(1) Fixed rates, including the effect of interest rate swaps.

(2) The note matures May 14, 2017 and may be extended, at the Company's election, for a two-year term to May 2019, subject to certain conditions.

The mortgage loans encumbering our properties are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan, but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. At December 31, 2014, the mortgage loan of \$21,398,000 was partially recourse to us and secured by a limited guaranty of payment and performance for approximately 50% of the loan amount.

We have entered into mortgage loans which are secured by multiple properties and contain cross-default and cross-collateralization provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan.

### Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2014:

(\$ in thousands)

	<b>Total</b>	<b>Yr 1</b>	<b>2-3 Yrs</b>	<b>4-5 Yrs</b>	<b>Over 5 Yrs</b>
Mortgage Notes Payable	\$ 106,762	\$ 3,839	\$ 35,327	\$ 30,326	\$ 37,270
Revolving Credit Facility	15,000	-	-	15,000	-
Unsecured Term Loans	100,000	-	-	-	100,000
Land Lease Obligations	11,401	515	1,029	1,031	8,826
Estimated Interest Payments on Mortgage Notes Payable and Unsecured Term Loans	44,164	8,270	14,567	11,625	9,702
<b>Total</b>	<b>\$ 277,327</b>	<b>\$ 12,624</b>	<b>\$ 50,923</b>	<b>\$ 57,982</b>	<b>\$ 155,798</b>

Estimated interest payments are based on (i) the stated rates for mortgage notes payable, including the effect of interest rate swaps and (ii) the stated rates for unsecured term loans, including the effect of interest rate swaps and assuming the interest rate in effect for the most recent quarter remains in effect through the respective maturity dates.

### Dividends

During the quarter ended December 31, 2014, we declared a quarterly dividend of \$0.45 per share. The cash dividend was paid on January 6, 2015 to holders of record on December 23, 2014.

During the quarter ending March 31, 2015, we declared a quarterly dividend of \$0.45 per share. The cash dividend will be paid on April 14, 2014 to holders of record on March 31, 2014.

### **Inflation**

Our leases typically contain provisions to mitigate the adverse impact of inflation on our results of operations. Tenant leases generally provide for limited increases in rent as a result of fixed increases or increases in the consumer price index. Certain of our leases contain clauses enabling us to receive percentage rents based on tenants' gross sales, which generally increase as prices rise. During times when inflation is greater than increases in rent, rent increases will not keep up with the rate of inflation.

Substantially all of properties are leased to tenants under long-term, net leases which require the tenant to pay certain operating expenses for a property, thereby reducing our exposure to operating cost increases resulting from inflation. Inflation may have an adverse impact on our tenants.

### **Funds from Operations**

Funds from Operations (FFO) is defined by the National Association of Real Estate Investment Trusts, Inc. (NAREIT) to mean net income computed in accordance with GAAP, excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization and any impairment charges on a depreciable real estate asset, and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental measure to conduct and evaluate the Company's business because there are certain limitations associated with using GAAP net income by itself as the primary measure of the Company's operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself.

FFO should not be considered as an alternative to net income as the primary indicator of the Company's operating performance, or as an alternative to cash flow as a measure of liquidity. Further, while the Company adheres to the NAREIT definition of FFO, its presentation of FFO is not necessarily comparable to similarly titled measures of other REITs due to the fact that all REITs may not use the same definition.

Adjusted Funds from Operations (AFFO) is a non-GAAP financial measure of operating performance used by many companies in the REIT industry. AFFO further adjusts FFO for certain non-cash items that reduce or increase net income in accordance with GAAP. Management considers AFFO a useful supplemental measure of the Company's performance, however, AFFO should not be considered an alternative to net income as an indication of the Company's performance, or to cash flow as a measure of liquidity or ability to make distributions. The Company's computation of AFFO may differ from the methodology for calculating AFFO used by other equity REITs, and therefore may not be comparable to such other REITs. Note that, during the year ended December 31, 2014, the Company adjusted its calculation of AFFO to exclude non-recurring capitalized building improvements and to include non-real estate related depreciation and amortization. Management believes that these changes provide a more useful measure of operating performance in the context of AFFO.

The following table provides a reconciliation of FFO and net income for the years ended December 31, 2014, 2013 and 2012:

	Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2012
<b>Reconciliation of Funds from Operations to Net Income</b>			
Net income	\$ 18,913,008	\$ 20,189,611	\$ 18,603,594
Depreciation of real estate assets	8,361,698	6,930,145	5,726,319
Amortization of leasing costs	125,946	113,101	106,100
Amortization of lease intangibles	2,490,585	1,633,691	1,025,077
Impairment charge	3,020,000	450,000	-
(Gain) loss on sale of assets	404,996	(946,347)	(2,097,105)
<b>Funds from Operations</b>	<b>\$ 33,316,233</b>	<b>\$ 28,370,201</b>	<b>\$ 23,363,985</b>
<b>Funds from Operations Per Share - Diluted</b>	<b>\$ 2.18</b>	<b>\$ 2.10</b>	<b>\$ 2.03</b>
<b>Weighted average shares and OP units outstanding</b>			
Basic	15,230,205	13,413,526	11,418,937
Diluted	15,314,514	13,505,124	11,484,529

The following table provides a reconciliation of AFFO and net income for the years ended December 31, 2014, 2013 and 2012:

	Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2012
<b>Reconciliation of Adjusted Funds from Operations to Net Income</b>			
Net income	\$ 18,913,008	\$ 20,189,611	\$ 18,603,594
Cumulative adjustments to calculate FFO	14,403,225	8,180,590	4,760,391
<b>Funds from Operations</b>	<b>\$ 33,316,233</b>	<b>\$ 28,370,201</b>	<b>\$ 23,363,985</b>
Straight-line accrued rent	(1,415,739)	(1,148,462)	(738,118)
Deferred revenue recognition	(463,380)	(463,380)	(463,380)
Stock based compensation expense	1,986,835	1,812,532	1,657,209
Amortization of financing costs	398,248	326,238	285,385
Non-Real Estate Depreciation	122,861	66,596	65,962
<b>Adjusted Funds from Operations</b>	<b>\$ 33,945,058</b>	<b>\$ 28,963,725</b>	<b>\$ 24,171,043</b>
<b>Additional supplemental disclosure</b>			
Scheduled principal repayments	\$ 3,599,130	\$ 3,478,384	\$ 3,164,654
Capitalized interest	\$ 263,472	\$ 566,753	\$ 149,054
Capitalized building improvements	\$ 145,274	\$ 87,018	\$ 170,858

#### **Item 7A: Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to interest rate risk primarily through our borrowing activities. There is inherent roll-over risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and our future financing requirements.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal payments (in thousands) and the weighted average interest rates on outstanding debt, by year of expected maturity, to evaluate the expected cash flows and sensitivity to interest rate changes, assuming no mortgage defaults.

	2015	2016	2017	2018	2019	Thereafter	Total
Mortgage Notes Payable	\$ 3,839	\$ 12,674	\$ 22,653	\$ 27,575	\$ 2,750	\$ 37,271	\$ 106,762
Average Interest Rate	5.36%	6.13%	6.43%	3.94%	2.86%	4.50%	
Unsecured Revolving Credit Facility	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ 15,000
Average Interest Rate				1.52%			
Unsecured Term Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Average Interest Rate						3.78%	-

The fair value (in thousands) is estimated at \$107,814 and \$97,919 for mortgage notes payable and unsecured term loan, respectively, as of December 31, 2014.

The table above incorporates those exposures that exist as of December 31, 2014; it does not consider those exposures or positions which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period and interest rates.

We seek to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under GAAP guidance.

In April 2012, we entered into a forward starting interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$22,300,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 1.92%. This swap effectively converted \$22,300,000 of variable-rate borrowings to fixed-rate borrowings from July 1, 2013 to May 1, 2019. As of December 31, 2014, this interest rate swap was valued as a liability of \$425,000.

In December 2012, we entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$25,000,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 0.89%. This swap effectively converted \$25,000,000 of variable-rate borrowings to fixed-rate borrowings from December 6, 2012 to April 4, 2018. As of December 31, 2014, this interest rate swap was valued as an asset of \$274,000.

In September 2013, we entered into an interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$35,000,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 2.20%. This swap effectively converted \$35,000,000 of variable-rate borrowings to fixed-rate borrowings from October 3, 2013 to September 29, 2020. As of December 31, 2014, this interest rate swap was valued as a liability of \$911,000.

In July 2014, we entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$65,000,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 2.09%. This swap effectively converted \$65,000,000 of variable-rate borrowings to fixed-rate borrowings from July 21, 2014 to July 21, 2021. As of December 31, 2014, this interest rate swap was valued as a liability of \$1,047,000.

We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of December 31, 2014.

As of December 31, 2014, a 100 basis point increase in interest rates on the portion of our debt bearing interest at variable rates would result in an increase in interest expense of approximately \$150,000.

**Item 8: Financial Statements and Supplementary Data**

The financial statements and supplementary data are listed in the Index to Financial Statements and Financial Statement Schedules appearing on Page F-1 of this Annual Report on Form 10-K and are included in this Annual Report on Form 10-K following page F-1.

**Item 9: Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no disagreements with our independent registered public accounting firm on accounting matters or financial disclosure.

**Item 9A: Controls and Procedures**

**Disclosure Controls and Procedures**

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a15-(f) and 15d-15(f) under the Securities Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, our management believes that we maintained effective internal control over financial reporting as of December 31, 2014.

**Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Attestation Report of Independent Registered Public Accounting Firm**

The attestation report required under this item is contained on page F-2 of this Annual Report on Form 10-K.

**Item 9B: Other Information**

None.

### PART III

#### Item 10: Directors, Executive Officers and Corporate Governance

Incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders.

#### Item 11: Executive Compensation

Incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders.

#### Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table summarizes the equity compensation plan under which our common stock may be issued as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrant and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders	-	-	620,071
Equity Compensation Plans Not Approved by Security Holders	-	-	-
Total	-	-	620,071

(1) *Relates to various stock-based awards available for issuance under our 2014 Omnibus Incentive Plan, including incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, unrestricted stock awards and dividend equivalent rights.*

Additional information is incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders.

#### Item 13: Certain Relationships, Related Transactions and Director Independence

Incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders.

#### Item 14: Principal Accounting Fees and Services

Incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders.



## PART IV

### ITEM 15: Exhibits and Financial Statement Schedules

A. The following documents are filed as part of this Annual Report on Form 10-K:

- 1 - 2. The financial statements and supplementary data are listed in the Index to Financial Statements and Financial Statement Schedules appearing on Page F-1 of this Annual Report on Form 10-K.
3. Exhibits

#### Exhibit No.      Description

- 3.1 Articles of Incorporation of the Company, including all amendments and articles supplementary thereto, (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (No. 001-12928) for the quarter ended June 30, 2013)
- 3.2 Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 8-K (No. 001-12928) filed on May 9, 2013)
- 4.1 Rights Agreement, dated as of December 7, 1998, by and between Agree Realty Corporation, a Maryland corporation, and Computershare Trust Company, N.A., f/k/a EquiServe Trust Company, N.A., a national banking association, as successor rights agent to BankBoston, N.A., a national banking association (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-161520) filed on November 13, 2008)
- 4.2 Second Amendment to Rights Agreement, dated as of December 8, 2008, by and between Agree Realty Corporation, a Maryland corporation, and Computershare Trust Company, N.A., f/k/a EquiServe Trust Company, N.A., a national banking association, as successor rights agent to BankBoston, N.A., a national banking association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (No. 001-12928) filed on December 9, 2008)
- 4.3 Amended and Restated Registration Rights Agreement, dated July 8, 1994 by and among the Company, Richard Agree, Edward Rosenberg and Joel Weiner (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K (No. 001-12928) for the year ended December 31, 1994)
- 4.4 Form of certificate representing shares of common stock (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (No. 333-161520) filed on August 24, 2009)
- 10.1 Revolving Credit Facility and Term Loan Agreement, dated July 21, 2014, among Agree Limited Partnership, PNC Bank, National Association and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-12928) filed on July 22, 2014)
- 10.2 First Amended and Restated Agreement of Limited Partnership of Agree Limited Partnership, dated as of April 22, 1994, as amended by and among the Company, Richard Agree, Edward Rosenberg and Joel Weiner (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K (No. 001-12928) for the year ended December 31, 2012)
- 10.3 Second Amendment to First Amended and Restated Agreement of Limited Partnership of Agree Limited Partnership, dated as of March 20, 2013, as amended by and among the Company, the Limited Partnership and Richard Agree (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (No. 001-12928) for the quarter ended March 31, 2013)
- 10.4+ Agree Realty Corporation Profit Sharing Plan (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K (No. 001-12928) for the year ended December 31, 1996)
- 10.5+ Amended Employment Agreement, dated July 1, 2014, by and between the Company and Richard Agree (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (No. 001-12928) for the quarter ended September 30, 2014)
- 10.6+ Amended Employment Agreement, dated July 1, 2014, by and between the Company and Joey Agree (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (No. 001-12928) for the quarter ended September 30, 2014)

- 10.7+ Letter Agreement of Employment dated April 5, 2010 between Agree Limited Partnership and Laith Hermiz (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-12928) filed on April 6, 2010)
- 10.8+ Letter Agreement of Employment dated January 2, 2014 between Agree Limited Partnership and Brian R. Dickman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-12928) filed on January 6, 2014)
- 10.9+ Summary of Director Compensation (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K (No. 001-12928) for the year ended December 31, 2007)
- 10.10+\* Agree Realty Corporation 2014 Omnibus Incentive Plan
- 10.11+ Form of Restricted Stock Agreement under the Agree Realty Corporation 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q Q (No. 001-12928) for the quarter ended September 30, 2014)
- 12.1\* Statement of computation of ratios of earnings to combined fixed charges and preferred stock dividends
- 21\* Subsidiaries of Agree Realty Corporation
- 23.1\* Consent of Grant Thornton LLP
- 23.2\* Consent of Baker Tilly Virchow Krause, LLP
- 24 Power of Attorney (included on the signature page of this Annual Report on Form 10-K)
- 31.1\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Joel N. Agree, Chief Executive Officer
- 31.2\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Brian R. Dickman, Chief Financial Officer
- 32.1\* Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Joel N. Agree, Chief Executive Officer
- 32.2\* Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Brian R. Dickman, Chief Financial Officer
- 101\* The following materials from Agree Realty Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Comprehensive Income, (iii) the Consolidated Statement of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these consolidated financial statements, tagged as blocks of text

As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the registrant has not filed debt instruments relating to long-term debt that is not registered and for which the total amount of securities authorized thereunder does not exceed 10% of total assets of the registrant and its subsidiaries on a consolidated basis as of December 31, 2014. The registrant agrees to furnish a copy of such agreements to the SEC upon request.

15(b) The Exhibits listed in Item 15(a)(3) are hereby filed with this Annual Report on Form 10-K.

15(c) The financial statement schedule listed at Item 15(a)(2) is hereby filed with this Annual Report on Form 10-K.

## SIGNATURES

PURSUANT to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AGREE REALTY CORPORATION

By: /s/ Joel N. Agree Date: March 6, 2015  
Joel N. Agree  
President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Agree Realty Corporation, hereby severally constitute Richard Agree, Joel N. Agree and Brian R. Dickman, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Annual Report on Form 10-K filed herewith and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Agree Realty Corporation to comply with the provisions of the Securities Exchange Act of 1934, as amended and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Annual Report on Form 10-K and any and all amendments thereto.

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 6th day of March 2015.

By: /s/ Richard Agree Date: March 6, 2015  
Richard Agree  
Executive Chairman of the Board of Directors

By: /s/ Joel N. Agree Date: March 6, 2015  
Joel N. Agree  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

By: /s/ Brian R. Dickman Date: March 6, 2015  
Brian R. Dickman  
Chief Financial Officer and Secretary  
(Principal Financial and Accounting Officer)

By: /s/ Farris G. Kalil Date: March 6, 2015  
Farris G. Kalil  
Director

By: /s/ John Rakolta Date: March 6, 2015  
John Rakolta Jr.  
Director

By: /s/ Jerome Rossi Date: March 6, 2015  
Jerome Rossi  
Director

By: /s/ William S. Rubenfaer Date: March 6, 2015  
William S. Rubenfaer  
Director

By: /s/ Leon M. Schurgin Date: March 6, 2015  
Leon M. Schurgin  
Director

By: /s/ Gene Silverman Date: March 6, 2015

Gene Silverman  
Director

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**Reports of Independent Registered Public Accounting Firms**

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**Financial Statements**

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**Schedule III - Real Estate and Accumulated Depreciation**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Agree Realty Corporation

We have audited the internal control over financial reporting of Agree Realty Corporation (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated March 6, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Southfield, Michigan  
March 6, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Agree Realty Corporation

We have audited the accompanying consolidated balance sheets of Agree Realty Corporation (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2014. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Agree Realty Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Southfield, Michigan  
March 6, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors  
Agree Realty Corporation  
Bloomfield Hills, MI

We have audited the accompanying consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows of Agree Realty Corporation for the year ended December 31, 2012. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, Agree Realty Corporation's results of operations and cash flows for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ Baker Tilly Virchow Krause, LLP  
Chicago, Illinois

March 8, 2013 (March 6, 2015, as to the effects of discontinued operations discussed in Note 9)



**AGREE REALTY CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
As of December 31,

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Real Estate Investments</b>		
Land	\$ 195,091,303	\$ 162,096,646
Buildings	393,826,467	297,464,585
Less accumulated depreciation	(59,089,851)	(60,633,824)
	529,827,919	398,927,407
Property under development	229,242	6,959,174
Property held for sale	-	4,845,504
<b>Net Real Estate Investments</b>	530,057,161	410,732,085
 <b>Cash and Cash Equivalents</b>	 5,399,458	 14,536,881
 <b>Accounts Receivable - Tenants</b> , net of allowance of  \$35,000 for possible losses at December 31, 2014 and 2013	  4,507,735	  3,262,768
 <b>Unamortized Deferred Expenses</b>		
Financing costs, net of accumulated amortization of \$2,690,005 and \$7,009,538 at December 31, 2014 and 2013, respectively	  3,008,280	  2,526,768
Leasing costs, net of accumulated amortization of \$543,957 and \$1,425,186 at December 31, 2014 and 2013, respectively	  783,335	  758,037
Lease intangibles, net of accumulated amortization of \$5,719,085 and \$3,228,506 at December 31, 2014 and 2013, respectively	  47,479,602	  27,705,499
 <b>Other Assets</b>	 2,345,290	 3,219,505
 <b>Total Assets</b>	 <b>\$ 593,580,861</b>	 <b>\$ 462,741,543</b>

See accompanying notes to consolidated financial statements.

**AGREE REALTY CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31,

	<b>2014</b>	<b>2013</b>
<b>LIABILITIES</b>		
<b>Mortgages Notes Payable</b>	\$ 106,762,238	\$ 113,897,759
<b>Unsecured Term Loans</b>	100,000,000	35,000,000
<b>Unsecured Revolving Credit Facility</b>	15,000,000	9,500,000
<b>Dividends and Distributions Payable</b>	8,048,404	6,243,933
<b>Deferred Revenue</b>	1,004,023	1,467,403
<b>Accrued Interest Payable</b>	721,459	470,862
<b>Accounts Payable and Accrued Expense</b>		
Capital expenditures	200,300	144,074
Operating	2,684,599	2,851,612
<b>Interest Rate Swap</b>	2,383,308	204,696
<b>Deferred Income Taxes</b>	705,000	705,000
<b>Tenant Deposits</b>	36,156	40,647
<b>Total Liabilities</b>	<b>237,545,487</b>	<b>170,525,986</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.0001 par value, 28,000,000 shares authorized, 17,539,946 and 14,883,314 shares issued and outstanding, respectively	1,754	1,488
Excess stock, \$.0001 par value, 8,000,000 and 4,000,000 shares authorized, 0 shares issued and outstanding	-	-
Preferred Stock, \$.0001 par value per share, 4,000,000 and 150,000 shares authorized, respectively		
Series A junior participating preferred stock, \$.0001 par value, 200,000 and 150,000 shares authorized, 0 shares issued and outstanding	-	-
Additional paid-in-capital	388,262,847	312,974,162
Deficit	(32,584,612)	(23,879,151)
Accumulated other comprehensive income (loss)	(2,059,998)	471,717
<b>Total Stockholders' Equity - Agree Realty Corporation</b>	353,619,991	289,568,216
Non-controlling interest	2,415,383	2,647,341
<b>Total Stockholders' Equity</b>	<b>356,035,374</b>	<b>292,215,557</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 593,580,861</b>	<b>\$ 462,741,543</b>

See accompanying notes to consolidated financial statements.

**AGREE REALTY CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
Year Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>			
Minimum rents	\$ 49,403,352	\$ 40,895,131	\$ 32,568,972
Percentage rents	159,664	36,074	24,474
Operating cost reimbursement	3,824,883	2,567,457	1,970,927
Other income	170,958	19,002	59,989
<b>Total Revenues</b>	<u>53,558,857</u>	<u>43,517,664</u>	<u>34,624,362</u>
<b>Operating Expenses</b>			
Real estate taxes	2,765,905	2,035,937	1,785,917
Property operating expenses	1,678,965	1,192,538	967,747
Land lease payments	471,840	427,900	574,300
General and administrative	6,629,033	5,952,433	5,681,828
Depreciation and amortization	11,102,702	8,489,207	6,240,727
Impairment charge	3,020,000	-	-
<b>Total Operating Expenses</b>	<u>25,668,445</u>	<u>18,098,015</u>	<u>15,250,519</u>
<b>Income from Operations</b>	27,890,412	25,419,649	19,373,843
<b>Other (Expense) Income</b>			
Interest expense, net	(8,586,980)	(6,474,727)	(5,134,283)
Loss on sale of assets	(527,743)	-	-
<b>Income From Continuing Operations</b>	18,775,689	18,944,922	14,239,560
<b>Discontinued Operations</b>			
Gain on sale of assets from discontinued operations	122,747	946,347	2,097,105
Income from discontinued operations	14,573	298,342	2,266,929
<b>Net Income</b>	18,913,009	20,189,611	18,603,594
<b>Less Net Income Attributable to Non-Controlling Interest</b>	425,017	515,036	554,150
<b>Net Income Attributable to Agree Realty Corporation</b>	<u>\$ 18,487,992</u>	<u>\$ 19,674,575</u>	<u>\$ 18,049,444</u>
<b>Basic Earnings Per Share</b>			
Continuing operations	\$ 1.23	\$ 1.41	\$ 1.25
Discontinued operations	0.01	0.10	0.38
	<u>\$ 1.24</u>	<u>\$ 1.51</u>	<u>\$ 1.63</u>
<b>Diluted Earnings Per Share</b>			
Continuing operations	\$ 1.23	\$ 1.40	\$ 1.24
Discontinued operations	0.01	0.10	0.38
	<u>\$ 1.24</u>	<u>\$ 1.50</u>	<u>\$ 1.62</u>
<b>Other Comprehensive Income</b>			
Net income	\$ 18,913,009	\$ 20,189,611	\$ 18,603,594
Other Comprehensive (Loss) Income	(2,583,832)	1,812,535	(708,538)
Total Comprehensive Income	16,329,177	22,002,146	17,895,056
Comprehensive Income Attributable to Non-Controlling Interest	(373,221)	(561,587)	(533,311)
<b>Comprehensive Income Attributable to Agree Realty Corporation</b>	<u>\$ 15,955,956</u>	<u>\$ 21,440,559</u>	<u>\$ 17,361,745</u>
<b>Weighted Average Number of Common Shares Outstanding - Basic</b>	<u>14,882,586</u>	<u>13,065,907</u>	<u>11,071,318</u>
<b>Weighted Average Number of Common Shares Outstanding - Diluted:</b>	<u>14,966,895</u>	<u>13,157,505</u>	<u>11,136,910</u>

See accompanying notes to consolidated financial statements.

**AGREE REALTY CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Non-Controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>					
<b>Balance, December 31, 2011</b>	9,851,914	985	181,069,633	(20,918,494)	(606,568)	2,678,725	162,224,281
Issuance of common stock, net of issuance costs	1,495,000	150	35,042,076				35,042,226
Issuance of restricted stock under the Equity Incentive Plan	94,850	9					9
Forfeiture of restricted stock	(5,720)						-
Vesting of restricted stock			1,657,209				1,657,209
Dividends and distributions declared for the period				(18,297,459)		(556,188)	(18,853,647)
Other comprehensive income (loss) - change in fair value of interest rate swap					(687,699)	(20,839)	(708,538)
Net income				18,049,444		554,150	18,603,594
<b>Balance, December 31, 2012</b>	11,436,044	\$ 1,144	\$ 217,768,918	\$ (21,166,509)	\$ (1,294,267)	\$ 2,655,848	\$ 197,965,134
Issuance of common stock, net of issuance costs	3,375,000	337	93,392,712				93,393,049
Issuance of restricted stock under the Equity Incentive Plan	87,950	9					9
Forfeiture of restricted stock	(15,680)	(2)					(2)
Vesting of restricted stock			1,812,532				1,812,532
Dividends and distributions declared for the period				(22,387,217)		(570,094)	(22,957,311)
Other comprehensive income (loss) - change in fair value of interest rate swap					1,765,984	46,551	1,812,535
Net income				19,674,575		515,036	20,189,611
<b>Balance, December 31, 2013</b>	14,883,314	\$ 1,488	\$ 312,974,162	\$ (23,879,151)	\$ 471,717	\$ 2,647,341	\$ 292,215,557
Issuance of common stock, net of issuance costs	2,587,500	259	73,301,850				73,302,109
Issuance of restricted stock under the Equity Incentive Plan	81,864	8					8
Issuance of restricted stock under the Omnibus Incentive Plan	2,128	-					-
Forfeiture of restricted stock	(14,860)	(1)					(1)
Vesting of restricted stock			1,986,835				1,986,835
Dividends and distributions declared for the period				(27,193,453)		(604,857)	(27,798,310)
Other comprehensive income (loss) - change in fair value of interest rate swap					(2,531,715)	(52,118)	(2,583,833)
Net income				18,487,992		425,017	18,913,009
<b>Balance, December 31, 2014</b>	17,539,946	\$ 1,754	\$ 388,262,847	\$ (32,584,612)	\$ (2,059,998)	\$ 2,415,383	\$ 356,035,374

See accompanying notes to consolidated financial statements.

**AGREE REALTY CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Year Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 18,913,009	\$ 20,189,611	\$ 18,603,594
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,486,178	6,996,741	5,792,281
Amortization	3,567,409	2,483,217	1,712,530
Stock-based compensation	1,986,835	1,812,532	1,657,209
Impairment charge	3,020,000	450,000	-
Loss (gain) on sale of assets	404,996	(946,347)	(2,097,105)
Increase in accounts receivable	(1,244,967)	(1,102,713)	(1,358,374)
Decrease (increase) in other assets	346,131	(780,069)	(864,294)
(Decrease) increase in accounts payable	(167,263)	838,515	(1,358,147)
Decrease in deferred revenue	(463,380)	(463,380)	(463,380)
Increase (decrease) in accrued interest	250,597	135,446	(398,779)
Decrease in tenant deposits	(4,491)	(23,814)	(19,814)
<b>Net Cash Provided by Operating Activities</b>	<u>35,095,054</u>	<u>29,589,739</u>	<u>21,205,721</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of real estate investments	(143,272,607)	(75,920,083)	(64,166,390)
Development of real estate investments and other (including capitalized interest of \$263,472 in 2014, \$566,793 in 2013, and \$149,054 in 2012)	(16,526,566)	(14,619,386)	(20,349,688)
Payment of leasing costs	(354,336)	(183,310)	(55,960)
Net proceeds from sale of assets	12,455,673	5,462,280	15,315,728
<b>Net Cash Used In Investing Activities</b>	<u>(147,697,836)</u>	<u>(85,260,499)</u>	<u>(69,256,310)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from common stock offering, net	73,302,116	93,393,056	35,042,235
Unsecured revolving credit facility borrowings	148,622,976	106,189,924	101,220,945
Unsecured revolving credit facility repayments	(143,122,976)	(140,219,929)	(114,134,838)
Mortgage notes payable proceeds	-	-	48,640,000
Payments of mortgage notes payable	(12,766,704)	(3,478,383)	(3,164,654)
Term loan payable proceeds	65,000,000	35,000,000	-
Dividends paid	(25,402,637)	(20,859,476)	(17,663,808)
Limited partners' distributions paid	(590,951)	(566,619)	(556,188)
Repayments of payables for capital expenditures	(144,074)	(122,080)	(424,321)
Payments for financing costs	(1,432,391)	(398,879)	(1,641,418)
<b>Net Cash Provided by Financing Activities</b>	<u>103,465,359</u>	<u>68,937,614</u>	<u>47,317,953</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(9,137,424)	13,266,854	(732,636)
Cash and Cash Equivalents, beginning of period	14,536,881	1,270,027	2,002,663
Cash and Cash Equivalents, end of period	<u>\$ 5,399,458</u>	<u>\$ 14,536,881</u>	<u>\$ 1,270,027</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash paid for interest (net of amounts capitalized)	\$ 7,824,594	\$ 6,149,649	\$ 4,722,042
Cash paid (refunded) for income tax	\$ (355)	\$ (21,543)	\$ 318,289
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>			
Shares issued under equity incentive plans	\$ 2,390,245	\$ 2,401,688	\$ 2,175,831
Dividends and limited partners' distributions declared and unpaid	\$ 8,048,404	\$ 6,243,933	\$ 4,710,446
Real estate acquisitions financed with debt assumption	\$ 5,631,183	\$ -	\$ 18,220,528

See accompanying notes to consolidated financial statements.

**Note 1 – Organization**

Agree Realty Corporation, a Maryland corporation, is a fully integrated real estate investment trust (REIT) primarily focused on the ownership, acquisition, development and management of retail properties net leased to industry leading tenants. We were founded in 1971 by our current Executive Chairman, Richard Agree, and listed on the New York Stock Exchange (NYSE) in 1994.

Our assets are held by, and all of our operations are conducted through, directly or indirectly, Agree Limited Partnership (the Operating Partnership), of which we are the sole general partner and in which we held a 98.06% interest as of December 31, 2014. Under the partnership agreement of the Operating Partnership, we, as the sole general partner, have exclusive responsibility and discretion in the management and control of the Operating Partnership.

The terms Agree Realty, the "Company," "we," "our" or "us" refer to Agree Realty Corporation and all of its consolidated subsidiaries, including the Operating Partnership.

**Note 2 – Summary of Significant Accounting Policies****Principles of Consolidation**

The consolidated financial statements of Agree Realty Corporation include the accounts of the Company, the Operating Partnership and its wholly-owned subsidiaries. The Company controlled, as the sole general partner, 98.06% and 97.72% of the Operating Partnership as of December 31, 2014 and 2013, respectively. All material intercompany accounts and transactions are eliminated.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of (1) assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and (2) revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

The results of operations for properties that had been disposed of or classified as held for sale prior to March 31, 2014 are reported as discontinued operations. As a result of these discontinued operations, certain reclassifications of prior period amounts have been made in the financial statements in order to conform to the 2014 presentation.

**Segment Reporting**

We are in the business of acquiring, developing and managing retail real estate which we consider one reporting segment. The Company has no other reportable segments.

**Real Estate Investments**

We record the acquisition of real estate at cost, including acquisition and closing costs. For properties developed by us, all direct and indirect costs related to planning, development and construction, including interest, real estate taxes and other miscellaneous costs incurred during the construction period, are capitalized for financial reporting purposes and recorded as property under development until construction has been completed. Properties classified as held for sale are recorded at the lower of their carrying value or their fair value, less anticipated selling costs.

**Accounting for Acquisitions of Real Estate**

The acquisition of property for investment purposes is typically accounted for as an asset acquisition. We allocate the purchase price to land, building and identified intangible assets and liabilities, based in each case on their relative estimated fair values and without giving rise to goodwill. Intangible assets and liabilities represent the value of in-place leases and above- or below-market leases. In making estimates of fair values, we may use a number of sources, including data provided by independent third parties, as well as information obtained by us as a result of our due diligence, including expected future cash flows of the property and various characteristics of the markets where the property is located.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, in-place lease intangibles are valued based on the Company's estimates of costs related to tenant acquisition and the carrying costs that would be incurred during the time it would take to locate a tenant if the property were vacant, considering current market conditions and costs to execute similar leases at the time of the acquisition. Above and below market lease intangibles are recorded based on the present value of the difference between the contractual amounts to be paid pursuant to the leases at the time of acquisition of the real estate and the Company's estimate of current market lease rates for the property, measured over a period equal to the remaining non-cancelable term of the lease.

The fair value of identified intangible assets and liabilities acquired is amortized to depreciation and amortization over the remaining term of the related leases.

#### Depreciation

Our real estate portfolio is depreciated using the straight-line method over the estimated remaining useful life of the properties, which generally ranges from 30 to 40 years for buildings and 10 to 20 years for improvements. Properties classified as held for sale are not depreciated.

#### Impairments

We review our real estate investments periodically for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events or circumstances that may occur include, but are not limited to, significant changes in real estate market conditions or our ability to re-lease or sell properties that are vacant or become vacant. Management determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the residual value of the real estate, with the carrying cost of the individual asset. An asset is considered impaired if its carrying value exceeds its estimated undiscounted cash flows and an impairment charge is recorded in the amount by which the carrying value of the asset exceeds its estimated fair value.

#### Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash and money market accounts. The account balances periodically exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage, and as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage.

#### Accounts Receivable – Tenants

The Company reviews its rent receivables for collectability on a regular basis, taking into consideration changes in factors such as the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area where the property is located. In the event that the collectability of a receivable with respect to any tenant is in doubt, a provision for uncollectible amounts will be established or a direct write-off of the specific rent receivable will be made. For accrued rental revenues related to the straight-line method of reporting rental revenue, the Company performs a periodic review of receivable balances to assess the risk of uncollectible amounts and establish appropriate provisions.

#### Unamortized Deferred Expenses

Deferred expenses include debt financing costs, leasing costs and lease intangibles and are amortized as follows: (i) debt financing costs on a straight-line basis to interest expense over the term of the related loan; (ii) leasing costs on a straight-line basis to depreciation and amortization over the term of the related lease entered into; and (iii) lease intangibles on a straight-line basis to depreciation and amortization over the remaining term of the related lease acquired.

The following schedule summarizes the Company's amortization of deferred expenses for the years ended December 31, 2014, 2013 and 2012, respectively:

Year Ended December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
Financing Costs	\$ 950,878	\$ 736,425	\$ 581,353
Leasing Costs	125,946	113,101	106,100
Lease Intangibles	2,490,585	1,633,691	1,025,077
<b>Total</b>	<b>\$ 3,567,409</b>	<b>\$ 2,483,217</b>	<b>\$ 1,712,530</b>

The following schedule represents estimated future amortization of deferred expenses as of December 31, 2014:

Year Ending December 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
Financing Costs	\$ 656,218	\$ 602,994	\$ 565,500	\$ 387,802	\$ 235,320	\$ 560,446
Leasing Costs	114,002	103,936	97,291	91,644	85,202	291,260
Lease Intangibles	3,750,268	3,750,268	3,750,268	3,750,268	3,359,280	29,119,250
<b>Total</b>	<b>\$ 4,520,488</b>	<b>\$ 4,457,198</b>	<b>\$ 4,413,059</b>	<b>\$ 4,229,714</b>	<b>\$ 3,679,802</b>	<b>\$ 29,970,956</b>

### Revenue Recognition

We lease real estate to our tenants under long-term net leases which we account for as operating leases. Under this method, leases that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. Rental increases based upon changes in the consumer price indexes, or other variable factors, are recognized only after changes in such factors have occurred and are then applied according to the lease agreements. Certain leases also provide for additional rent based on tenants' sales volumes. These rents are recognized when determinable by us after the tenant exceeds a sales breakpoint. Contractually obligated reimbursements from tenants for recoverable real estate taxes and operating expenses are generally included in operating costs reimbursement in the period when such expenses are recorded.

### Earnings per Share

Earnings per share have been computed by dividing the net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

The following is a reconciliation of the denominator of the basic net earnings per common share computation to the denominator of the diluted net earnings per common share computation for each of the periods presented:

	<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Weighted average number of common shares outstanding	15,121,212	13,314,989	11,321,498
Less: Unvested restricted stock	(238,626)	(249,082)	(250,180)
Weighted average number of common shares outstanding used in basic earnings per share	<u>14,882,586</u>	<u>13,065,907</u>	<u>11,071,318</u>
Weighted average number of common shares outstanding used in basic earnings per share	14,882,586	13,065,907	11,071,318
Effect of dilutive securities: restricted stock	84,309	91,598	65,592
Weighted average number of common shares outstanding used in diluted earnings per share	<u>14,966,895</u>	<u>13,157,505</u>	<u>11,136,910</u>

### Income Taxes

The Company has made an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") and related regulations. The Company generally will not be subject to federal income taxes on amounts distributed to stockholders, providing it distributes 100% of its REIT taxable income and meets certain other requirements for qualifying as a REIT. For each of the years in the three-year period ended December 31, 2014, the Company believes it has qualified as a REIT. Notwithstanding the Company's qualification for taxation as a REIT, the Company is subject to certain state taxes on its income and real estate.



The Company and its taxable REIT subsidiaries (TRS) have made a timely TRS election pursuant to the provisions of the REIT Modernization Act. A TRS is able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under the federal income tax regulations. As a result, certain activities of the Company which occur within its TRS entity are subject to federal and state income taxes (See Note 7). All provisions for federal income taxes in the accompanying consolidated financial statements are attributable to the Company's TRS.

#### Fair Values of Financial Instruments

The Company's estimates of fair value of financial and non-financial assets and liabilities are based on the framework established in the fair value accounting guidance. The framework specifies a hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures. The guidance describes a fair value hierarchy based upon three levels of inputs that may be used to measure fair value, two of which are considered observable and one that is considered unobservable. The following describes the three levels:

Level 1 . Valuation is based upon quoted prices in active markets for identical assets or liabilities.

Level 2 . Valuation is based upon inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 . Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include option pricing models, discounted cash flow models and similar techniques.

#### Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08 "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" which updates Accounting Standards Codification ("ASC") Topic 205 "Presentation of Financial Statements" and ASC Topic 360 "Property, Plant and Equipment." The amendments in this update change the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. For public entities, ASU 2014-08 is effective prospectively for fiscal years beginning after December 15, 2015; however, early adoption is permitted, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We have elected to early adopt this updated standard effective in the first quarter of 2014. The adoption of this guidance had an effect on the presentation of our consolidated financial statements. Beginning in 2014, activities related to individual sales of properties are generally no longer classified as discontinued operations except for the property classified as held for sale as of December 31, 2013.

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09 "Revenue from Contracts with Customers" as a new Topic, ASC Topic 606. The objective of ASU 2014-19 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC, including revenue from leases. This ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is not permitted. The Company is currently evaluating the new guidance and has not determined the impact, if any, this standard may have on the consolidated financial statements.

#### **Note 3 – Real Estate Investments**

Real Estate Portfolio

At December 31, 2014 and 2013, the Company's gross investment in real estate assets, including properties under development and properties held for sale, totaled \$589,147,000 and \$471,366,000, respectively. Real estate investments consisted of the following as of December 31, 2014 and December 31, 2013:

	<u>2014</u>	<u>2013</u>
Number of Properties	209	130
Gross Leasable Area	4,315,000	3,662,000
Land	\$ 195,091,303	\$ 162,096,646
Buildings	\$ 393,826,467	\$ 297,464,585
Property under Development	\$ 229,242	\$ 6,959,174
Property Held for Sale	\$ -	\$ 4,845,504
Gross Real Estate Investments	<u>\$ 589,147,012</u>	<u>\$ 471,365,909</u>
Less Accumulated Depreciation	<u>\$ (59,089,851)</u>	<u>\$ (60,633,824)</u>
Net Real Estate Investments	<u>\$ 530,057,161</u>	<u>\$ 410,732,085</u>

Lease Intangibles

The following table details lease intangibles, net of accumulated amortization, as of December 31, 2014 and December 31, 2013:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Intangible Lease Asset - In-Place Leases	\$ 36,680,631	\$ 17,597,357
Less: Accumulated Amortization	(3,897,008)	(1,836,593)
Intangible Lease Asset - Above-Market Leases	31,642,267	22,921,813
Less: Accumulated Amortization	(4,111,435)	(2,392,293)
Intangible Lease Liability - Below-Market Leases	(15,124,210)	(9,585,166)
Less: Accumulated Amortization	2,289,358	1,000,380
Lease Intangible Asset, net	<u>\$ 47,479,602</u>	<u>\$ 27,705,499</u>

Tenant Leases

The properties that the Company owns are typically leased to tenants under long term operating leases. The leases are generally net leases which typically require the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance. Certain of our properties are subject to leases under which we retain responsibility for specific costs and expenses of the property. The leases typically provide the tenant with one or more multi-year renewal options subject to generally the same terms and conditions, including rent increases, consistent with the initial lease term.

As of December 31, 2014, the future minimum rental income to be received under the terms of all non-cancellable tenant leases is as follows:

For the Year Ending December 31,	
2015	\$ 54,370,464
2016	53,876,771
2017	53,123,664
2018	51,646,088
2019	48,813,782
Thereafter	414,382,007
Total	<u>\$ 676,212,776</u>

Since lease renewal periods are exercisable at the option of the tenant, the above table only presents future minimum lease payments due during the current lease terms. In addition, this table does not include amounts

for potential variable rent increases that are based on the CPI or future contingent rents which may be received on the leases based on a percentage of the tenant's gross sales.

Of these future minimum rents, approximately 25.4% of the total is attributable to Walgreens as of December 31, 2014. The loss of this tenant or the inability of it to pay rent could have an adverse effect on the Company's business. No other tenant contributed 5.0% or more of the Company's total revenues as of December 31, 2014.

Deferred Revenue

In July 2004, the Company's tenant in a joint venture property located in Boynton Beach, FL repaid \$4,000,000 that had been contributed by the Company's joint venture partner. As a result of this repayment, the Company became the sole member of the limited liability company holding the property. Total assets of the property were approximately \$4,000,000. The Company has treated the \$4,000,000 as deferred revenue and accordingly, will recognize rental income over the term of the related leases.

The remaining deferred revenue of approximately \$1,004,000 will be recognized as minimum rents over approximately 2.2 years

Land Lease Obligations

The Company is subject to land lease agreements for certain of its properties. Land lease expense was \$471,840, \$427,900, and \$574,300 for the years ending December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, future annual lease commitments under these agreements are as follows:

For the Year Ending December 31,	
2015	\$ 514,653
2016	514,653
2017	514,653
2018	515,569
2019	508,528
Thereafter	<u>8,825,546</u>
Total	<u>\$ 11,393,602</u>

The Company leased its executive offices from a limited liability company controlled by its Executive Chairman's children. Under the terms of the lease, which expired on December 31, 2014, the Company was required to pay an annual rental of \$90,000 and was responsible for the payment of real estate taxes, insurance and maintenance expenses relating to the building.

2014 and 2013 Acquisitions

During 2014, the Company purchased 77 retail net lease assets for approximately \$148,400,000, including acquisition and closing costs. These properties are located in 23 states and 100% leased to 28 different tenants operating in 14 unique retail sectors for a weighted average lease term of approximately 14.1 years. The underwritten weighted average capitalization rate on our 2014 investments was approximately 8.2%. None of our investments during 2014 caused any new or existing tenant to comprise 10% or more of our total assets or generate 10% or more of our total annualized base rent at December 31, 2014.

The aggregate 2014 acquisitions were allocated \$29,969,000 to land, \$95,977,000 to buildings and improvements, and \$22,265,000 to lease intangible costs. The acquisitions were substantially all cash purchases and there was no contingent consideration associated with these acquisitions.

During 2013, the Company purchased 18 retail net lease assets for approximately \$73,269,000, including acquisition and closing costs. These properties are located in 13 states and 100% leased to 13 different tenants operating in 10 unique retail sectors for a weighted average lease term of approximately 10.9 years. The underwritten weighted average capitalization rate on our 2013 investments was approximately 8.0%. None of our investments during 2013 caused any new or existing tenant to comprise 10% or more of our total assets or generate 10% or more of our total annualized base rent at December 31, 2013.

The aggregate 2013 acquisitions were allocated \$13,535,000 to land, \$53,565,000 to buildings and improvements, and \$6,872,000 to lease intangible costs. The acquisitions were substantially all cash purchases and there was no contingent consideration associated with these acquisitions.

We calculate the weighted average capitalization rate on our investments by dividing annual expected net operating income derived from the properties by the total investment in the properties. Annual expected net operating income is defined as the straight-line rent for the base term of the lease less property level expenses (if any) that are not recoverable from the tenant.

#### Unaudited Pro Forma Information

The following unaudited pro forma total revenue and income before discontinued operations, for 2014 and 2013, assumes all of our 2014 acquisitions had taken place on January 1, 2014 for the 2014 pro forma information, and on January 1, 2013 for the 2013 pro forma information:

Supplemental pro forma for the year ended December 31, 2014 (1)	
Total revenue	\$57,840,000
Income before discontinued operations	\$19,369,000

Supplemental pro forma for the year ended December 31, 2013 (1)	
Total revenue	\$50,549,000
Income before discontinued operations	\$20,023,000

- (1) *This unaudited pro forma supplemental information does not purport to be indicative of what our operating results would have been had the acquisitions occurred on January 1, 2014 or January 1, 2013 and may not be indicative of future operating results. Various acquisitions were of newly leased or constructed assets and may not have been in service for the full periods shown.*

#### Impairments

As a result of our review of Real Estate Investments we recognized the following real estate impairment charges for the year ended December 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Continuing operations	\$ 3,020,000	\$ -	\$ -
Discontinued operations	<u>-</u>	<u>450,000</u>	<u>-</u>
Total	<u>\$ 3,020,000</u>	<u>\$ 450,000</u>	<u>\$ -</u>

In 2014, we recognized impairment charges of \$220,000 and \$2,800,000, respectively, for Petoskey Town Center and Chippewa Commons, which were included in continuing operations. Petoskey Town Center was under contract for sale, but not classified as held for sale at September 30, 2014 due to contingencies associated with the contract, and a \$220,000 impairment charge was taken to write down the carrying value of the property to an amount that reflected the sales price. The property was subsequently sold in the fourth quarter. In the second quarter, an anchor tenant at Chippewa Commons declined to exercise an extension a lease extension option which we deemed would contribute to vacancy and diminished cash flows and result in a fair value that was less than the net book value of the asset. A \$2,800,000 impairment charge was taken to write down the carrying value of the property to an amount that reflected management's best estimate of fair market value.

In 2013, we recognized an impairment charge of \$450,000 for Ironwood Commons, which was included in continuing operations at the time of the impairment charge. Ironwood Commons was under contract for sale, but not classified as held for sale at September 30, 2013 due to contingencies associated with the contract, and a \$450,000 impairment charge was taken to write down the carrying value of the property to an amount that reflected the sales price. The property was subsequently reclassified as property held for sale and the impairment charge was included in discontinued operations as of December 31, 2013.

#### **Note 4 – Debt**

As of December 31, 2014, we had total indebtedness of \$221,762,200, including (i) \$106,762,000 of mortgage notes payable; (ii) \$100,000,000 of unsecured term loans; and (iii) \$15,000,000 of borrowings under our Credit Facility.

#### Revolving Credit and Term Loan Facility

In July 2014, the Company entered into a \$250,000,000 senior unsecured revolving credit and term loan agreement consisting of (i) a new \$150,000,000 revolving credit facility (the "Credit Facility"); (ii) a new \$65,000,000 seven-year unsecured term loan facility (the "2021 Term Loan"); and (iii) our existing \$35,000,000 unsecured term loan facility due 2020 (the "2020 Term Loan"). The Credit Facility, 2021 Term Loan and 2020 Term Loan, together, are referred to as our "Revolving Credit and Term Loan Facility."

The Credit Facility is due July 21, 2018, with an additional one-year extension at the Company's option, subject to customary conditions. Borrowings under the Credit Facility are priced at LIBOR plus 135 to 200 basis points, depending on the Company's leverage. The Credit Facility replaced the Company's previous \$85,000,000 revolving credit facility, which was extinguished concurrent with the closing of the Credit Facility, and may be increased to an aggregate of \$250,000,000 at the Company's election, subject to certain terms and conditions. As of December 31, 2014, \$15,000,000 was outstanding under the Credit Facility bearing a weighted average interest rate of approximately 1.5% and \$135,000,000 was available for borrowing.

The 2021 Term Loan matures on July 21, 2021. Borrowings under the 2021 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage. The Company entered into interest rate swaps to fix LIBOR at 2.09% until maturity, implying an all-in interest rate of 3.74% at closing. Proceeds from the 2021 Term Loan were used to repay borrowings under our previous revolving credit facility, which were used primarily to fund property acquisitions. The 2021 Term Loan may be increased to an aggregate of \$75,000,000 at the Company's election, subject to certain terms and conditions. As of December 31, 2014, \$65,000,000 was outstanding under the 2021 Term Loan.

The 2020 Term Loan matures on September 29, 2020. Borrowings under the 2020 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage. The Company entered into interest rate swaps to fix LIBOR at 2.20% until maturity, implying an all-in interest rate of 3.85% at closing. Proceeds from the 2020 Term Loan were used to repay borrowings under our previous revolving credit facility, which were used primarily to fund property acquisitions. The 2020 Term Loan may be increased to an aggregate of \$70,000,000 at the Company's election, subject to certain terms and conditions. As of December 31, 2014, \$35,000,000 was outstanding under the 2020 Term Loan.

The Revolving Credit and Term Loan Facility contains customary covenants, including, among others, financial covenants regarding debt levels, total liabilities, tangible net worth, fixed charge coverage, unencumbered borrowing base properties, and permitted investments. The Company was in compliance with the covenant terms at December 31, 2014.

#### Mortgage Notes Payable

As of December 31, 2014, we had total mortgage indebtedness of \$106,762,000 with a weighted average maturity of 5.1 years. These mortgages are collateralized by related real estate with an aggregate net book value of \$147,020,000.

Including mortgages that have been swapped to a fixed interest rate, our weighted average interest rate on mortgage debt was 4.27% as of December 31, 2014 and 4.38% as of December 31, 2013.

Mortgages payable consisted of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Note payable in monthly interest-only installments of \$48,467 at 6.56% annum, with a balloon payment in the amount of \$8,580,000 due June 11, 2016; collateralized by related real estate and tenants' leases	\$ 8,580,000	\$ 8,580,000
Note payable in monthly installments of \$99,598 including interest at 6.63% per annum, with the final monthly payment due February 2017; collateralized by related real estate and tenants' leases	2,405,976	3,405,384
Note payable in monthly principal installments of \$50,120 plus interest at 170 basis points over LIBOR, swapped to a fixed rate of 3.62% as of December 31, 2013. A final balloon payment in the amount of \$19,744,758 is due on May 14, 2017 unless extended for a two year period at the option of the Company, subject to certain conditions, collateralized by related real estate and tenants' leases	21,398,078	22,017,758
Note payable in monthly installments of interest only at LIBOR plus 160 basis points, swapped to a fixed rate of 2.49% with balloon payment due April 4, 2018; collateralized by related real estate and tenants' leases	25,000,000	25,000,000
Note payable in monthly installments of \$153,838 including interest at 6.90% per annum, with the final monthly payment due January 2020; collateralized by related real estate and tenants' leases	7,896,078	9,149,944
Note payable in monthly installments of \$23,004 including interest at 6.24% per annum, with the final balloon payment of \$2,766,628 due February 2020; collateralized by related real estate and tenant lease	3,204,294	3,275,170
Note payable in monthly installments of interest only at 3.60% per annum, with balloon payment due January 1, 2023; collateralized by related real estate and tenants' leases	23,640,000	23,640,000
Note payable in monthly installments of \$35,673 including interest at 5.01% per annum, with the final balloon payment of \$4,034,627 due September 2023; collateralized by related real estate and tenant lease	5,595,327	-
Note payable in monthly installments of \$91,675 including interest at 6.27% per annum, with a final monthly payment due July 2026; collateralized by related real estate and tenants' leases	9,042,485	9,557,942
Note payable in monthly installments of \$60,097 including interest at 5.08% per annum, with a final balloon payment in the amount of \$9,167,573 due June 2014; collateralized by related real estate and tenants' leases	-	9,271,561
<b>Total</b>	<b><u>\$106,762,238</u></b>	<b><u>\$113,897,759</u></b>

The following table presents scheduled principal payments related to our debt as of December 31, 2014:

For the Year Ending December 31,	
2015	\$ 3,839,239
2016	12,674,337
2017 (1)	22,652,591
2018 (2)	42,575,206
2019	2,750,347
Thereafter	137,270,518
Total	<u>\$ 221,762,238</u>

- (1) Includes \$19,744,758 which represents the ending balance of a mortgage note payable due in 2017. The note matures May 14, 2017 and may be extended, at the Company's election, for a two-year term to May 2019, subject to certain conditions.
- (2) Includes the \$15,000,000 outstanding balance under the Credit Facility as of December 31, 2014. The Credit Facility matures on July 21, 2018 and may be extended for one year at the Company's election, subject to certain conditions.

The mortgage loans encumbering our properties are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan, but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. At December 31, 2014, the mortgage loan of \$21,398,000 is partially recourse to us and is secured by a limited guaranty of payment and performance for approximately 50% of the loan amount.

We have entered into mortgage loans which are secured by multiple properties and contain cross-default and cross-collateralization provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan.

The Company was in compliance with covenant terms for all mortgages payable at December 31, 2014.

#### **Note 5 – Common Stock**

In September 2012, we filed, and the SEC deemed effective, a shelf registration statement that expires in September 2015. The securities covered by this registration statement cannot exceed \$250,000,000 in the aggregate and include common stock, preferred stock, depository shares and warrants. We may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if these securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

We completed a follow-on offering of 2,587,500 shares of common stock in December of 2014. The offering, which included the full exercise of the overallotment option by the underwriters, raised net proceeds of approximately \$71,511,000 after deducting the underwriting discount. The proceeds from the offering were used to pay down amounts outstanding under the Credit Facility and for general corporate purposes.

We completed a follow-on offering of 1,650,000 shares of common stock in November of 2013. The offering raised net proceeds of approximately \$48,758,000 after deducting the underwriting discount. The proceeds from the offering were used to pay down amounts outstanding under our previous revolving credit facility and for general corporate purposes.

We completed a follow-on offering of 1,725,000 shares of common stock in January of 2013. The offering, which included the full exercise of the overallotment option by the underwriters, raised net proceeds of approximately \$44,954,000 after deducting the underwriting discount. The proceeds from the offering were used to pay down amounts outstanding under our previous Credit Facility and for general corporate purposes.

#### **Note 6 – Dividends and Distribution Payable**

The Company declared dividends of \$1.74, \$1.64 and \$1.60 per share during the years ended December 31, 2014, 2013 and 2012; the dividends have been reflected for federal income tax purposes as follows:

For the Year Ended December 31,	2014	2013	2012
Ordinary Income	\$ 1.398	\$ 1.372	\$ 1.200
Return of Capital	0.342	0.268	0.400
Total	<u>\$ 1.740</u>	<u>\$ 1.640</u>	<u>\$ 1.600</u>

On December 2, 2014, the Company declared a dividend of \$0.45 per share for the quarter ended December 31, 2014. The holders OP Units were entitled to an equal distribution per OP Unit held as of December 31, 2014. The dividends and distributions payable are recorded as liabilities in the Company's consolidated balance sheet at December 31, 2014. The dividend has been reflected as a reduction of stockholders' equity and the distribution has been reflected as a reduction of the limited partners' non-controlling interest. These amounts were paid on January 6, 2015.

#### Note 7 – Income Taxes

The Company is subject to the provisions of Financial Accounting Standards Board Accounting Standard Codification 740-10 (ASB ASC 740-10), and has analyzed its various federal and state filing positions. The Company believes that its income tax filing positions and deductions are documented and supported. Additionally the Company believes that its accruals for tax liabilities are adequate. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. The Company's Federal income tax returns are open for examination by taxing authorities for all tax years after December 31, 2010. The Company has elected to record any related interest and penalties, if any, as income tax expense on the consolidated statements of operations and comprehensive income.

For income tax purposes, the Company has certain TRS entities that have been established and in which certain real estate activities are conducted.

As of December 31, 2014, the Company has estimated a current income tax liability of \$0 and a deferred income tax liability in the amount of \$705,000. As of December 31, 2013, the Company had estimated a current income tax liability of \$0 and a deferred income tax liability in the amount of \$705,000. This deferred income tax balance represents the federal and state tax effect of deferring income tax in 2007 on the sale of an asset under section 1031 of the Internal Revenue Code. This transaction was accrued within the TRS entities described above. During the years ended December 31, 2014, and 2013, we recognized total federal and state tax expense (benefit) of (\$14,000), and \$3,000, respectively.

#### Note 8 – Derivative Instruments and Hedging Activity

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risk, including interest rate, liquidity and credit risk primarily by managing the amount, sources and duration of its debt funding and, to a limited extent, the use of derivative instruments.

The Company's objective in using interest rate derivatives is to manage its exposure to interest rate movements and add stability to interest expense. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed rate payments over the life of the agreement without exchange of the underlying notional amount.

In April 2012, we entered into a forward starting interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$22,300,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 1.92%. This swap effectively converted \$22,300,000 of variable-rate borrowings to fixed-rate borrowings from July 1, 2013 to May 1, 2019. As of December 31, 2014, this interest rate swap was valued as a liability of \$425,000.



In December 2012, we entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$25,000,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 0.89%. This swap effectively converted \$25,000,000 of variable-rate borrowings to fixed-rate borrowings from December 6, 2012 to April 4, 2018. As of December 31, 2014, this interest rate swap was valued as an asset of \$274,000.

In September 2013, we entered into an interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$35,000,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 2.20%. This swap effectively converted \$35,000,000 of variable-rate borrowings to fixed-rate borrowings from October 3, 2013 to September 29, 2020. As of December 31, 2014, this interest rate swap was valued as a liability of \$911,000.

In July 2014, we entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$65,000,000 in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 2.09%. This swap effectively converted \$65,000,000 of variable-rate borrowings to fixed-rate borrowings from July 21, 2014 to July 21, 2021. As of December 31, 2014, this interest rate swap was valued as a liability of \$1,047,000.

Companies are required to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. The Company has designated these derivative instruments as cash flow hedges. As such, changes in the fair value of the derivative instrument are recorded as a component of other comprehensive income (loss) for the year ended December 31, 2014 to the extent of effectiveness. The ineffective portion of the change in fair value of the derivative instrument is recognized in interest expense. For the year ended December 31, 2014, the Company has determined these derivative instruments to be effective hedges.

The company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	Number of Instruments		Notional	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Interest Rate Swap	4	3	\$ 146,398,078	\$ 82,017,758

The table below presents the estimated fair value of the Company's derivative financial instruments as well as their classification in the consolidated balance sheets.

	Asset Derivatives			
	December 31, 2014		December 31, 2013	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest Rate Swaps	Other Assets	\$ 274,013	Other Assets	\$ 679,234

	Liability Derivatives			
	December 31, 2014		December 31, 2013	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest Rate Swaps	Other Liabilities	\$ 2,383,308	Other Liabilities	\$ 204,696

The table below presents the effect of the Company's derivative financial instruments in the consolidated statements of operations and other comprehensive loss for the years ended December 31, 2014 and 2013.

Derivatives in Cash Flow Hedging Relationships	Amount of Income/(Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Income/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Income/(Loss) Reclassified from Accumulated OCI into Expense (Effective Portion)		Location of Loss Recognized in Income of Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Loss Recognized in Income of Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2014	2013		2014	2013		2014	2013
	Interest rate swaps	\$ (2,583,832)		\$ 1,812,536	Interest Expense		\$ (1,875,420)	\$ (773,120)

The Company does not use derivative instruments for trading or other speculative purposes and did not have any other derivative instruments or hedging activities as of December 31, 2014.

**Note 9 – Discontinued Operations**

We elected to early adopt ASU 2014-08 "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" in the first quarter of 2014. The adoption of this guidance had an effect on the presentation of our consolidated financial statements. Beginning in 2014, activities related to individual asset sales are generally no longer classified as discontinued operations except for the property classified as held for sale as of December 31, 2013.

In January 2014, the Company sold a Kmart-anchored shopping center in Ironwood, Michigan, which was classified as held for sale on December 31, 2013, for approximately \$5,000,000. The results of operations for this property are reported in discontinued operations for the twelve months ended 2014, 2013 and 2012, including revenues of approximately \$42,600, \$1,281,000 and \$1,165,000 respectively, and expenses of approximately \$28,000, \$990,000 and \$481,000, respectively.

In January 2013, the Company sold a single tenant property located in Ypsilanti, Michigan, which was classified as held for sale on December 31, 2012, for approximately \$5,600,000. The results of operations for this property are reported in discontinued operations for the twelve months ended 2013 and 2012, including revenues of approximately \$9,300 and \$346,000, respectively, and expenses of approximately \$2,300 and \$75,900, respectively.

During 2012, the Company sold six non-core properties, including a Kmart-anchored shopping center in Charlevoix, Michigan, a Kmart-anchored shopping center in Plymouth, Wisconsin, a Kmart-anchored shopping center in Shawano, Wisconsin, a vacant single tenant office property and two vacant single tenant retail properties. In addition, the Company conveyed four mortgaged properties, which were previously leased to Borders, Inc., to the lender in March 2012 pursuant to a consensual deed-in-lieu-of-foreclosure process that satisfied the loans. The results of operations for these properties are reported as discontinued operations for the twelve months ended 2012 including revenues of approximately \$2,421,000 and expenses of approximately \$949,000.

#### Note 10 – Fair Value Measurements

The table below sets forth the Company's fair value hierarchy for assets and liabilities measured or disclosed at fair value as of December 31, 2014.

<b>Asset:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying Value</b>
Interest rate swaps	\$ -	\$ 274,013	\$ -	\$ 274,013

<b>Liability:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying Value</b>
Interest rate swaps	\$ -	\$ 2,383,308	\$ -	\$ 2,383,308
Mortgage notes payable	\$ -	\$ -	\$ 107,814,314	\$ 106,762,238
Revolving credit facility	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000
Unsecured term loans	\$ -	\$ -	\$ 97,918,642	\$ 100,000,000

The table below sets forth the Company's fair value hierarchy for liabilities measured or disclosed at fair value as of December 31, 2013.

<b>Asset:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying Value</b>
Interest rate swaps	\$ -	\$ 679,234	\$ -	\$ 679,234

<b>Liability:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying Value</b>
Interest rate swaps	\$ -	\$ 204,696	\$ -	\$ 204,696
Mortgage notes payable	\$ -	\$ -	\$ 108,385,281	\$ 113,897,758
Revolving credit facility	\$ -	\$ 9,500,000	\$ -	\$ 9,500,000
Unsecured term loan	\$ -	\$ -	\$ 32,728,011	\$ 35,000,000

The carrying amounts of the Company's short-term financial instruments, which consist of cash, cash equivalents, receivables, and accounts payable, approximate their fair values. The fair value of the interest rate swaps were derived using estimates to settle the interest rate swap agreements, which are based on the net present value of expected future cash flows on each leg of the swap utilizing market-based inputs and discount rates reflecting the risks involved. The fair value of fixed mortgages was derived using the present value of future mortgage payments based on estimated current market interest rates of 4.17% and 5.04% at December 31, 2014 and 2013, respectively. The fair value of variable rate debt is estimated to be equal to the face value of the debt because the interest rates are floating and is considered to approximate fair value.

#### Note 11 – Equity Incentive Plan

In 2005, the Company's stockholders approved the 2005 Equity Incentive Plan (the ~~2005 Plan~~), which replaced a stock incentive plan established in 1994. The 2005 Plan authorized the issuance of a maximum of 1,000,000 shares of common stock.

In 2014, the Company's stockholders approved the 2014 Omnibus Incentive Plan (the ~~2014 Plan~~), which replaced the 2005 Plan. The 2014 Plan authorizes the issuance of a maximum of 700,000 shares of common stock.

No options were granted during 2014, 2013 or 2012.

Restricted common stock has been granted to certain employees under both the 2005 Plan and the 2014 Plan. As of December 31, 2014, there was \$4,319,000 of total unrecognized compensation costs related to the outstanding restricted stock, which is expected to be recognized over a weighted average period of 3.0 years. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has deemed historical forfeitures insignificant and does not consider discount rates to be material.

The holder of a restricted share award is generally entitled at all times on and after the date of issuance of the restricted shares to exercise the rights of a stockholder of the Company, including the right to vote the shares and the right to receive dividends on the shares. The Company granted 81,082, 87,950, and 94,850 shares of restricted stock in 2014, 2013, and 2012, respectively to employees and sub-contractors under the 2005 Plan and 2,128 shares of restricted stock in 2014 under the 2014 Plan. The restricted shares vest over a five-year period based on continued service to the Company.

Restricted share activity is summarized as follows:

	<u>Shares Outstanding</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested restricted stock at December 31, 2011	216,920	\$ 21.74
Restricted stock granted	94,850	\$ 24.40
Restricted stock vested	(55,870)	\$ 21.87
Restricted stock forfeited	<u>(5,720)</u>	<u>\$ 24.32</u>
Unvested restricted stock at December 31, 2012	250,180	\$ 22.66
Restricted stock granted	87,950	\$ 27.70
Restricted stock vested	(73,368)	\$ 22.50
Restricted stock forfeited	<u>(15,680)</u>	<u>\$ 25.01</u>
Unvested restricted stock at December 31, 2013	249,082	\$ 24.33
Restricted stock granted	83,210	\$ 28.72
Restricted stock vested	(79,588)	\$ 22.64
Restricted stock forfeited	<u>(14,078)</u>	<u>\$ 26.03</u>
Unvested restricted stock at December 31, 2014	<u>238,626</u>	<u>\$ 26.24</u>

#### Note 12 – Profit-Sharing Plan

The Company has a discretionary profit-sharing plan whereby it contributes to the plan such amounts as the Board of Directors of the Company determines. The participants in the plan cannot make any contributions to the plan. Contributions to the plan are allocated to the employees based on their percentage of compensation to the total compensation of all employees for the plan year. Participants in the plan become fully vested after six years of service. No contributions were made to the plan in 2014, 2013, or 2012.

#### Note 13 – Quarterly Financial Data (Unaudited)

The following summary represents the unaudited results of operations of the Company, expressed in thousands except per share amounts, for the periods from January 1, 2013 through December 31, 2014. Certain amounts have been reclassified to conform to the current presentation of discontinued operations:

	<b>2014</b>			
	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
Revenue	<u>\$ 12,575</u>	<u>\$ 12,904</u>	<u>\$ 13,757</u>	<u>\$ 14,323</u>
Net Income	<u>\$ 5,509</u>	<u>\$ 2,716</u>	<u>\$ 4,966</u>	<u>\$ 5,723</u>
Earnings per Share - diluted	<u>\$ 0.37</u>	<u>\$ 0.18</u>	<u>\$ 0.33</u>	<u>\$ 0.36</u>
	<b>2013</b>			
	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
Revenue	<u>\$ 9,928</u>	<u>\$ 10,601</u>	<u>\$ 11,272</u>	<u>\$ 11,716</u>
Net Income	<u>\$ 5,392</u>	<u>\$ 4,530</u>	<u>\$ 4,646</u>	<u>\$ 5,622</u>
Earnings per Share - diluted	<u>\$ 0.41</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>	<u>\$ 0.40</u>

**Note 14 – Commitments and Contingencies**

In the ordinary course of business, we are party to various legal actions which we believe are routine in nature and incidental to the operation of our business. We believe that the outcome of the proceedings will not have a material adverse effect upon our consolidated financial position or results of operations

**Note 15 – Subsequent Events**

In January 2015, the Company repaid a mortgage loan with a balance of \$2,406,000 as of December 31, 2014. This loan had an effective interest rate of 6.63% and was fully amortizing with a final monthly payment due February 2017.

In January 2015, the Company granted a total of 77,801 shares of restricted stock to employees and associates under the 2014 Plan. The fair value of these grants approximate \$2,609,000 and the restricted shares vest over a five year period based on continued service to the Company.

On March 5, 2015, the Company declared a dividend of \$0.45 per share for the quarter ending March 31, 2015 for holders of record on March 31, 2015. The holders of OP Units are also entitled to an equal distribution per OP Unit held as of March 31, 2015. The amounts are to be paid on April 14, 2015.

There were no other reportable subsequent events or transactions.

COLUMN A Description	COLUMN B Encumbrance	COLUMN C Initial Cost		COLUMN D Costs Capitalized Subsequent to Acquisition	COLUMN E Gross Amount at Which Carried at Close of Period			COLUMN F Accumulated Depreciation	COLUMN G Date of Acquisition	COLUMN H Life on Which Depreciation in Latest Income Statement is Computed
		Land	Building and Improvements		Land	Building and Improvements	Total			
<b>Real Estate Held for Investment</b>										
Borman Center, MI	\$ -	\$ 550,000	\$ 562,404	\$ 1,087,596	\$ 550,000	\$ 1,650,000	\$ 2,200,000	\$ 1,618,022	1977	40 Years
Capital Plaza, KY	-	7,379	2,240,607	3,510,133	7,379	5,750,740	5,758,119	2,887,183	1978	40 Years
Grayling Plaza, MI	-	200,000	1,778,657	-	200,000	1,778,657	1,978,657	1,363,755	1984	40 Years
Marshall Plaza Two, MI	-	-	4,662,230	159,688	-	4,821,918	4,821,918	2,822,969	1990	40 Years
North Lakeland Plaza, FL	-	1,641,879	6,364,379	2,052,496	1,641,879	8,416,875	10,058,754	5,126,106	1987	40 Years
Oscoda Plaza, MI	-	183,295	1,872,854	-	183,295	1,872,854	2,056,149	1,433,536	1984	40 Years
Rapids Associates, MI	-	705,000	6,854,790	2,157,041	705,000	9,011,831	9,716,831	4,600,697	1990	40 Years
West Frankfort Plaza, IL	-	8,002	784,077	202,463	8,002	986,540	994,542	700,383	1982	40 Years
Omaha Store, NE	-	150,000	-	-	150,000	-	150,000	-	1995	40 Years
Wichita Store, KS	1,669,449	1,039,195	1,690,644	(48,910)	1,139,677	1,541,252	2,680,929	775,757	1995	40 Years
Monroeville, PA	-	6,332,158	2,249,724	(2,586,265)	3,153,890	2,841,727	5,995,617	968,975	1996	40 Years
Boynton Beach, FL	-	1,534,942	2,043,122	3,754,994	1,534,942	5,798,116	7,333,058	1,343,608	1996	40 Years
Lawrence, KS	-	981,331	3,000,000	(1,510,873)	419,791	2,050,667	2,470,458	1,221,625	1997	40 Years
Waterford, MI	579,359	971,009	1,562,869	135,390	971,009	1,698,259	2,669,268	720,723	1997	40 Years
Chesterfield Township, MI	636,140	1,350,590	1,757,830	(46,164)	1,350,590	1,711,666	3,062,256	706,644	1998	40 Years
Grand Blanc, MI	607,750	1,104,285	1,998,919	43,929	1,104,285	2,042,848	3,147,133	812,241	1998	40 Years
Pontiac, MI	582,728	1,144,190	1,808,955	(113,506)	1,144,190	1,695,449	2,839,639	690,483	1998	40 Years
Mt Pleasant Shopping Ctr, MI	-	907,600	8,081,968	1,024,052	907,600	9,106,020	10,013,620	4,808,049	1973	40 Years
Rochester, MI	1,582,374	2,438,740	2,188,050	1,949	2,438,740	2,189,999	4,628,739	848,601	1999	40 Years
Ypsilanti, MI	1,429,190	2,050,000	2,222,097	32,641	2,050,000	2,254,738	4,304,738	844,665	1999	40 Years
Petoskey, MI	994,116	-	2,332,473	1,179	-	2,333,652	2,333,652	855,585	2000	40 Years
Flint, MI	1,499,465	2,026,625	1,879,700	(1,201)	2,026,625	1,878,499	3,905,124	657,481	2000	40 Years
Flint, MI	1,290,219	1,477,680	2,241,293	-	1,477,680	2,241,293	3,718,973	777,445	2001	40 Years
New Baltimore, MI	1,100,713	1,250,000	2,285,781	(16,502)	1,250,000	2,269,279	3,519,279	758,965	2001	40 Years
Flint, MI	2,969,578	1,729,851	1,798,091	660	1,729,851	1,798,751	3,528,602	571,441	2002	40 Years
Indianapolis, IN	-	180,000	1,117,617	-	180,000	1,117,617	1,297,617	362,158	2002	40 Years
Big Rapids, MI	-	1,201,675	2,014,107	(2,000)	1,201,675	2,012,107	3,213,782	591,097	2003	40 Years
Flint, MI	-	-	471,272	(201,810)	-	269,462	269,462	125,748	2003	20 Years
Canton Twp, MI	-	1,550,000	2,132,096	23,020	1,550,000	2,155,116	3,705,116	597,098	2003	40 Years
Flint, MI	3,441,685	1,537,400	1,961,674	-	1,537,400	1,961,674	3,499,074	531,371	2004	40 Years
Webster, NY	-	1,600,000	2,438,781	-	1,600,000	2,438,781	4,038,781	657,967	2004	40 Years
A bion, NY	-	1,900,000	3,037,864	-	1,900,000	3,037,864	4,937,864	768,962	2004	40 Years
Flint, MI	2,631,221	1,029,000	2,165,463	(6,666)	1,029,000	2,158,797	3,187,797	546,405	2004	40 Years
Lansing, MI	-	785,000	348,501	3,045	785,000	351,546	1,136,546	92,245	2004	40 Years
Boynton Beach, FL	-	1,569,000	2,363,524	-	1,569,000	2,363,524	3,932,524	633,826	2004	40 Years
Midland, MI	-	2,350,000	2,313,413	(79,235)	2,268,695	2,315,483	4,584,178	547,439	2005	40 Years
Grand Rapids, MI	2,959,784	1,450,000	2,646,591	-	1,450,000	2,646,591	4,096,591	617,539	2005	40 Years

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H
Description	Encumbrance	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation	Date of Acquisition	Life on Which Depreciation in Latest Income Statement is Computed
		Land	Building and Improvements		Land	Building and Improvements	Total			
Delta Township, MI	3,090,351	2,075,000	2,535,971	7,004	2,075,000	2,542,975	4,617,975	582,824	2005	40 Years
Roseville, MI	2,336,328	1,771,000	2,327,052	-	1,771,000	2,327,052	4,098,052	530,857	2005	40 Years
Mt Pleasant, MI	1,252,087	1,075,000	1,432,390	4,787	1,075,000	1,437,177	2,512,177	326,346	2005	40 Years
N Cape May, NJ	-	1,075,000	1,430,092	495	1,075,000	1,430,587	2,505,587	324,859	2005	40 Years
Summit Twp, MI	1,431,882	998,460	1,336,357	12,686	998,460	1,349,043	2,347,503	277,204	2006	40 Years
Livonia, MI	4,240,564	1,200,000	3,441,694	817,589	1,200,000	4,259,283	5,459,283	778,062	2007	40 Years
Barnesville, GA	-	932,500	2,091,514	5,490	932,500	2,097,004	3,029,504	377,868	2007	40 Years
East Lansing, MI	-	240,000	54,531	-	240,000	54,531	294,531	9,519	2007	40 Years
Plainfield, IN	-	4,549,758	-	114,383	4,664,141	-	4,664,141	-	2007	40 Years
Macomb Township, MI	3,955,574	2,621,500	3,484,212	(83,479)	2,537,222	3,485,011	6,022,233	595,339	2008	40 Years
She by Township, MI	3,383,595	2,055,174	2,533,876	47,775	2,058,474	2,578,351	4,636,825	412,803	2008	40 Years
Silver Springs Shores, FL	3,637,014	1,975,000	2,504,112	(5,400)	1,975,000	2,498,712	4,473,712	374,942	2009	40 Years
Brighton, MI	-	1,365,000	2,802,036	5,615	1,365,000	2,807,651	4,172,651	409,370	2009	40 Years
Port St John, FL	-	2,320,860	2,402,641	880	2,320,860	2,403,521	4,724,381	340,484	2009	40 Years
Lowell, MI	-	890,000	1,930,182	10,190	890,000	1,940,372	2,830,372	254,610	2009	40 Years
Southfield, MI	-	1,200,000	125,616	2,064	1,200,000	127,690	1,327,690	16,617	2009	40 Years
Atchison, KS	-	943,750	3,021,672	-	823,170	3,142,252	3,965,422	351,996	2010	40 Years
Johnstown, OH	2,384,927	485,000	2,799,502	-	485,000	2,799,502	3,284,502	314,945	2010	40 Years
Lake in the Hills, IL	-	2,135,000	3,328,560	-	1,690,000	3,773,560	5,463,560	418,963	2010	40 Years
Concord, NC	-	7,676,305	-	-	7,676,305	-	7,676,305	-	2010	40 Years
Antioch, IL	1,669,449	1,087,884	-	-	1,087,884	-	1,087,884	-	2010	40 Years
St Augustine Shores, FL	-	1,700,000	1,973,929	(4,754)	1,700,000	1,969,175	3,669,175	202,933	2010	40 Years
Atlantic Beach, FL	3,452,182	1,650,000	1,904,357	1,262	1,650,000	1,905,619	3,555,619	198,398	2010	40 Years
Mansfield, CT	2,170,284	700,000	1,902,191	508	700,000	1,902,699	2,602,699	196,213	2010	40 Years
Spring Grove, IL	2,313,000	1,191,199	-	968	1,192,167	-	1,192,167	-	2010	40 Years
Ann Arbor, MI	-	-	3,061,507	2,634,651	2,660,582	3,035,576	5,696,158	321,871	2010	40 Years
Tallahassee, FL	1,628,000	-	1,482,462	-	-	1,482,462	1,482,462	149,791	2010	40 Years
Wilmington, NC	2,186,000	1,500,000	1,348,591	-	1,500,000	1,348,591	2,848,591	129,240	2011	40 Years
Marietta, GA	900,000	575,000	696,297	6,359	575,000	702,656	1,277,656	61,402	2011	40 Years
Baltimore, MD	2,534,000	2,610,430	-	(3,447)	2,606,983	-	2,606,983	-	2011	40 Years
Dallas, TX	1,844,000	701,320	778,905	1,042,730	701,320	1,821,635	2,522,955	144,737	2011	40 Years
Chandler, AZ	1,550,203	332,868	793,898	360	332,868	794,258	1,127,126	64,571	2011	40 Years
New Lenox, IL	1,192,464	1,422,488	-	-	1,422,488	-	1,422,488	-	2011	40 Years
Roseville, CA	4,752,000	2,800,000	3,695,455	(96,364)	2,695,636	3,703,455	6,399,091	308,554	2011	40 Years
Fort Walton Beach, FL	1,768,000	542,200	1,958,790	303	542,200	1,959,093	2,501,293	151,009	2011	40 Years
Leawood, KS	3,204,294	989,622	3,003,541	16,198	989,622	3,019,739	4,009,361	226,480	2011	40 Years
Salt Lake City, UT	4,948,724	-	6,810,104	(44,417)	-	6,765,687	6,765,687	542,896	2011	40 Years

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		Land	Building and Improvements		Land	Building and Improvements	Total			
Burton, MI	-	80,000	-	-	80,000	-	80,000	-	2011	
Macomb Township, MI	1,793,000	1,605,134	-	-	1,605,134	-	1,605,134	-	2012	40 Years
Madison, AL	1,552,000	675,000	1,317,927	-	675,000	1,317,927	1,992,927	98,844	2012	40 Years
Waker, MI	887,000	219,200	1,024,738	-	219,200	1,024,738	1,243,938	70,448	2012	40 Years
Portland, OR	-	7,969,403	-	161	7,969,564	-	7,969,564	-	2012	40 Years
Cochran, GA	-	365,714	2,053,726	-	365,714	2,053,726	2,419,440	128,358	2012	40 Years
Baton Rouge, LA	1,073,217	-	1,188,322	-	-	1,188,322	1,188,322	76,746	2012	40 Years
Southfield, MI	1,483,000	1,178,215	-	-	1,178,215	-	1,178,215	-	2012	40 Years
Clifton Heights, PA	3,898,994	2,543,941	3,038,561	-	2,543,941	3,038,561	5,582,502	186,554	2012	40 Years
Newark, DE	2,492,444	2,117,547	4,777,516	-	2,117,547	4,777,516	6,895,063	293,318	2012	40 Years
Vineland, NJ	2,188,562	4,102,710	1,501,854	-	4,102,710	1,501,854	5,604,564	92,792	2012	40 Years
Fort Mill, SC	-	750,000	1,187,380	-	750,000	1,187,380	1,937,380	71,738	2012	40 Years
Spartanburg, SC	-	250,000	765,714	-	250,000	765,714	1,015,714	45,464	2012	40 Years
Springfield, IL	-	302,520	653,654	-	302,520	653,654	956,174	38,130	2012	40 Years
Jacksonville, NC	-	676,930	1,482,748	-	676,930	1,482,748	2,159,678	86,494	2012	40 Years
Morrow, GA	-	525,000	1,383,489	(99,850)	525,000	1,283,639	1,808,639	72,829	2012	40 Years
Charlotte, NC	-	1,822,900	3,531,275	(572,344)	1,822,900	2,958,931	4,781,831	162,660	2012	40 Years
Lyons, GA	-	121,627	2,155,635	(126,199)	121,627	2,029,436	2,151,063	105,963	2012	40 Years
Fuquay-Varina, NC	-	2,042,225	1,763,768	(255,778)	2,042,225	1,507,990	3,550,215	79,074	2012	40 Years
Minneapolis, MN	-	1,088,015	345,958	(54,430)	826,635	552,908	1,379,543	28,366	2012	40 Years
Lake Zurich, IL	-	780,974	7,909,277	28,174	780,974	7,937,451	8,718,425	405,111	2012	40 Years
Lebanon, VA	-	300,000	612,582	16,363	300,000	628,945	928,945	31,447	2012	40 Years
Harlingen, TX	-	430,000	1,614,378	12,854	430,000	1,627,232	2,057,232	81,362	2012	40 Years
Wichita, TX	-	340,000	1,530,971	12,854	340,000	1,543,825	1,883,825	77,191	2012	40 Years
Pensacola, FL	-	650,000	1,165,415	12,854	650,000	1,178,269	1,828,269	58,913	2012	40 Years
Pensacola, FL	-	400,000	1,507,583	12,854	400,000	1,520,437	1,920,437	76,022	2012	40 Years
Venice, FL	-	1,300,196	-	4,891	1,305,087	-	1,305,087	-	2012	40 Years
St. Joseph, MO	-	377,620	7,639,521	-	377,620	7,639,521	8,017,141	366,060	2013	40 Years
Statham, GA	-	191,919	3,851,073	-	191,919	3,851,073	4,042,992	184,531	2013	40 Years
North Las Vegas, NV	-	214,552	717,435	-	214,552	717,435	931,987	33,630	2013	40 Years
Memphis, TN	-	322,520	748,890	-	322,520	748,890	1,071,410	34,324	2013	40 Years
Rancho Cordova, CA	-	3,889,612	3,232,662	282,130	3,889,612	3,514,792	7,404,404	148,482	2013	40 Years
Kissimmee, FL	-	1,453,500	971,683	-	1,453,500	971,683	2,425,183	42,511	2013	40 Years
Pinellas Park, FL	-	2,625,000	874,542	3,965	2,625,000	878,507	3,503,507	34,716	2013	40 Years
Manchester, CT	-	397,800	325,705	-	397,800	325,705	723,505	13,571	2013	40 Years
Rapid City, SD	-	1,017,800	2,348,032	-	1,017,800	2,348,032	3,365,832	95,389	2013	40 Years
Chicago, IL	-	272,222	649,063	-	272,222	649,063	921,285	25,692	2013	40 Years



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		Land	Building and Improvements		Land	Building and Improvements	Total			
Brooklyn, OH	-	3,643,700	15,079,714	-	3,643,700	15,079,714	18,723,414	565,489	2013	40 Years
Madisonville, TX	-	96,680	1,087,642	-	96,680	1,087,642	1,184,322	40,787	2013	40 Years
Baton Rouge, LA	-	271,400	1,086,434	-	271,400	1,086,434	1,357,834	38,478	2013	40 Years
Forest, MS	-	-	1,298,176	-	-	1,298,176	1,298,176	45,977	2013	40 Years
Sun Valley, NV	-	308,495	1,373,336	2,819	308,495	1,376,155	1,684,650	45,848	2013	40 Years
Rochester, NY	-	2,500,000	7,398,639	-	2,500,000	7,398,639	9,898,639	238,914	2013	40 Years
Allentown, PA	-	2,525,051	7,896,613	-	2,525,051	7,896,613	10,421,664	254,995	2013	40 Years
Casselberry, FL	-	1,804,000	793,101	-	1,804,000	793,101	2,597,101	28,089	2013	40 Years
Berwyn, IL	-	186,791	933,959	5,400	186,791	939,359	1,126,150	25,430	2013	40 Years
Grand Forks, ND	-	1,502,609	2,301,337	1,801,028	1,502,609	4,102,365	5,604,974	112,148	2013	40 Years
Ann Arbor, MI	-	3,000,000	4,595,757	276,163	3,000,000	4,871,920	7,871,920	131,372	2013	40 Years
Joplin, MO	-	1,208,225	1,160,843	-	1,208,225	1,160,843	2,369,068	33,858	2013	40 Years
Red Bay, AL	-	38,981	2,528,437	-	38,981	2,528,437	2,567,418	10,535	2014	40 Years
Birmingham, AL	-	230,106	231,313	-	230,106	231,313	461,419	482	2014	40 Years
Birmingham, AL	-	245,234	251,339	-	245,234	251,339	496,573	524	2014	40 Years
Birmingham, AL	-	98,271	179,824	-	98,271	179,824	278,095	375	2014	40 Years
Birmingham, AL	-	235,641	127,477	-	235,641	127,477	363,118	266	2014	40 Years
Montgomery, AL	-	325,389	217,850	-	325,389	217,850	543,239	454	2014	40 Years
Littleton, CO	5,595,327	819,000	8,756,266	-	819,000	8,756,266	9,575,266	54,727	2014	40 Years
St Petersburg, FL	-	1,225,000	1,025,247	-	1,225,000	1,025,247	2,250,247	19,223	2014	40 Years
St Augustine, FL	-	200,000	1,523,230	-	200,000	1,523,230	1,723,230	9,520	2014	40 Years
East Palatka, FL	-	730,000	575,236	-	730,000	575,236	1,305,236	3,595	2014	40 Years
Pensacola, FL	-	136,365	398,773	-	136,365	398,773	535,138	831	2014	40 Years
Jacksonville, FL	-	297,066	312,818	-	297,066	312,818	609,884	-	2014	40 Years
Jacksonville, FL	-	299,312	348,862	-	299,312	348,862	648,174	-	2014	40 Years
Fort Oglethorpe, GA	-	1,842,240	2,844,126	-	1,842,240	2,844,126	4,686,366	65,178	2014	40 Years
New Lenox, IL	-	2,010,000	6,206,252	-	2,010,000	6,206,252	8,216,252	34,234	2014	40 Years
Rockford, IL	-	303,395	2,436,873	-	303,395	2,436,873	2,740,268	15,230	2014	40 Years
Indianapolis, IN	-	575,000	1,871,110	-	575,000	1,871,110	2,446,110	35,083	2014	40 Years
Terre Haute, IN	-	103,147	2,477,263	-	103,147	2,477,263	2,580,410	-	2014	40 Years
Junction City, KS	-	78,271	2,504,294	-	78,271	2,504,294	2,582,565	-	2014	40 Years
Baton Rouge, LA	-	226,919	347,691	-	226,919	347,691	574,610	724	2014	40 Years
Lincoln Park, MI	-	543,303	1,408,544	-	543,303	1,408,544	1,951,847	26,410	2014	40 Years
Novi, MI	-	1,803,857	1,488,505	-	1,803,857	1,488,505	3,292,362	-	2014	40 Years
Bloomfield Hills, MI	-	1,340,000	2,003,406	-	1,340,000	2,003,406	3,343,406	6,966	2014	40 Years
Morehead, MN	-	511,645	870,732	-	511,645	870,732	1,382,377	3,628	2014	40 Years
Fergus Falls, MN	-	405,617	561,332	-	405,617	561,332	966,949	2,339	2014	40 Years

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		Land	Building and Improvements		Land	Building and Improvements	Total			
Fergus Falls, MN	-	327,247	655,973	-	327,247	655,973	983,220	2,733	2014	40 Years
Park Rapids, MN	-	413,151	706,884	-	413,151	706,884	1,120,035	2,945	2014	40 Years
Jackson, MS	-	256,789	172,184	-	256,789	172,184	428,973	359	2014	40 Years
Belton, MO	-	714,775	7,173,999	-	714,775	7,173,999	7,888,774	-	2014	40 Years
Great Falls, MT	-	945,765	753,222	-	945,765	753,222	1,698,987	-	2014	40 Years
Irvington, NJ	-	315,000	1,313,025	-	315,000	1,313,025	1,628,025	24,619	2014	40 Years
East Grand Forks, ND	-	313,454	914,676	-	313,454	914,676	1,228,130	3,811	2014	40 Years
Fargo, ND	-	513,505	1,201,532	-	513,505	1,201,532	1,715,037	5,006	2014	40 Years
Fargo, ND	-	629,484	707,799	-	629,484	707,799	1,337,283	2,949	2014	40 Years
Jamestown, ND	-	234,545	1,158,486	-	234,545	1,158,486	1,393,031	4,827	2014	40 Years
Grand Forks, ND	-	540,658	813,776	-	540,658	813,776	1,354,434	3,391	2014	40 Years
Grand Forks, ND	-	762,471	554,595	-	762,471	554,595	1,317,066	2,311	2014	40 Years
Grand Forks, ND	-	529,087	676,026	-	529,087	676,026	1,205,113	2,817	2014	40 Years
Toledo, OH	-	500,000	1,372,363	-	500,000	1,372,363	1,872,363	25,732	2014	40 Years
Toledo, OH	-	155,250	762,500	-	155,250	762,500	917,750	7,943	2014	40 Years
Toledo, OH	-	213,750	754,675	-	213,750	754,675	968,425	7,861	2014	40 Years
Toledo, OH	-	168,750	785,000	-	168,750	785,000	953,750	8,177	2014	40 Years
Port Clinton, OH	-	75,000	721,100	-	75,000	721,100	796,100	7,511	2014	40 Years
Mansfield, OH	-	306,000	725,600	-	306,000	725,600	1,031,600	7,558	2014	40 Years
Orville, OH	-	344,250	716,600	-	344,250	716,600	1,060,850	7,465	2014	40 Years
Akron, OH	-	427,750	715,700	-	427,750	715,700	1,143,450	7,455	2014	40 Years
Akron, OH	-	696,000	845,000	-	696,000	845,000	1,541,000	8,802	2014	40 Years
Hubbard, OH	-	204,000	726,500	-	204,000	726,500	930,500	7,568	2014	40 Years
Youngstown, OH	-	285,000	745,700	-	285,000	745,700	1,030,700	7,768	2014	40 Years
Calcutta, OH	-	208,050	758,750	-	208,050	758,750	966,800	7,904	2014	40 Years
Columbus, OH	-	-	1,136,250	-	-	1,136,250	1,136,250	9,469	2014	40 Years
Tulsa, OK	-	459,148	640,550	-	459,148	640,550	1,099,698	13,345	2014	40 Years
Ligonier, PA	-	330,000	5,021,849	-	330,000	5,021,849	5,351,849	52,311	2014	40 Years
Clarion, PA	-	121,200	771,500	-	121,200	771,500	892,700	8,036	2014	40 Years
Mercer, PA	-	121,200	770,000	-	121,200	770,000	891,200	8,021	2014	40 Years
Limerick, PA	-	369,000	-	-	369,000	-	369,000	-	2014	40 Years
Harrisburg, PA	-	124,757	1,446,773	-	124,757	1,446,773	1,571,530	-	2014	40 Years
Andreson, SC	-	781,200	4,441,535	-	781,200	4,441,535	5,222,735	101,785	2014	40 Years
Easley, SC	-	332,275	268,612	-	332,275	268,612	600,887	560	2014	40 Years
Spartanburg, SC	-	141,307	446,706	-	141,307	446,706	588,013	931	2014	40 Years
Spartanburg, SC	-	94,770	261,640	-	94,770	261,640	356,410	545	2014	40 Years
Columbia, SC	-	303,932	1,221,964	-	303,932	1,221,964	1,525,896	2,546	2014	40 Years

COLUMN A Description	COLUMN B Encumbrance	COLUMN C Initial Cost		COLUMN D Costs Capitalized Subsequent to Acquisition	COLUMN E Gross Amount at Which Carried at Close of Period			COLUMN F Accumulated Depreciation	COLUMN G Date of Acquisition	COLUMN H Life on Which Depreciation in Latest Income Statement is Computed
		Land	Building and Improvements		Land	Building and Improvements	Total			
Alcoa, TN	-	329,074	270,719	-	329,074	270,719	599,793	564	2014	40 Years
Knoxville, TN	-	214,077	286,037	-	214,077	286,037	500,114	596	2014	40 Years
Red Bank, TN	-	229,100	302,146	-	229,100	302,146	531,246	629	2014	40 Years
New Tazewell, TN	-	91,006	328,561	-	91,006	328,561	419,567	-	2014	40 Years
Maryville, TN	-	94,682	1,529,621	-	94,682	1,529,621	1,624,303	-	2014	40 Years
Morristown, TN	-	46,404	801,506	-	46,404	801,506	847,910	-	2014	40 Years
Clinton, TN	-	69,625	1,177,927	-	69,625	1,177,927	1,247,552	-	2014	40 Years
Knoxville, TN	-	160,057	2,265,025	-	160,057	2,265,025	2,425,082	-	2014	40 Years
Sweetwater, TN	-	79,100	1,009,290	-	79,100	1,009,290	1,088,390	-	2014	40 Years
McKinney, TX	-	2,671,020	6,785,815	-	2,671,020	6,785,815	9,456,835	84,823	2014	40 Years
Forest Va	-	282,600	956,027	-	282,600	956,027	1,238,627	17,926	2014	40 Years
Waynesboro, VA	-	292,086	514,209	-	292,086	514,209	806,295	1,071	2014	40 Years
Colonial Heights, VA	-	547,692	1,059,557	-	547,692	1,059,557	1,607,249	2,207	2014	40 Years
Chester, VA	-	300,583	794,417	-	300,583	794,417	1,095,000	1,655	2014	40 Years
Midlothian, VA	-	232,337	802,602	-	232,337	802,602	1,034,939	1,672	2014	40 Years
Ashland, VA	-	426,396	965,925	-	426,396	965,925	1,392,321	2,012	2014	40 Years
Mecanicsville, VA	-	219,496	906,590	-	219,496	906,590	1,126,086	1,889	2014	40 Years
Glen Allen, VA	-	590,101	1,129,495	-	590,101	1,129,495	1,719,596	2,353	2014	40 Years
Burlington, WA	-	610,000	3,647,279	-	610,000	3,647,279	4,257,279	8,869	2014	40 Years
Wausau, WI	-	909,092	1,405,899	-	909,092	1,405,899	2,314,991	17,588	2014	40 Years
<b>Subtotal</b>	<b>106,762,238</b>	<b>197,046,698</b>	<b>376,435,573</b>	<b>15,435,489</b>	<b>195,091,303</b>	<b>393,826,467</b>	<b>588,917,770</b>	<b>59,089,851</b>		
<b>Property Under Development</b>										
Various	-	-	229,242	-	-	229,242	229,242	-	N/A	N/A
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>229,242</b>	<b>-</b>	<b>-</b>	<b>229,242</b>	<b>229,242</b>	<b>-</b>		
<b>Total</b>	<b>\$ 106,762,238</b>	<b>\$ 197,046,698</b>	<b>\$ 376,664,815</b>	<b>\$ 15,435,489</b>	<b>\$ 195,091,303</b>	<b>\$ 394,055,709</b>	<b>\$ 589,147,012</b>	<b>\$ 59,089,851</b>		

### 1. Reconciliation of Real Estate Properties

The following table reconciles the Real Estate Properties from January 1, 2012 to December 31, 2014.

	2014	2013	2012
Balance at January 1	\$476,168,824	\$ 398,811,830	\$340,073,911
Construction and acquisition cost	143,365,974	82,692,554	97,418,031
Impairment charge	(3,020,000)	(450,000)	-
Disposition of real estate	<u>(27,367,786)</u>	<u>(4,885,560)</u>	<u>(38,680,112)</u>
<b>Balance at December 31</b>	<b><u>\$589,147,012</u></b>	<b><u>\$ 476,168,824</u></b>	<b><u>\$398,811,830</u></b>

### 2. Reconciliation of Accumulated Depreciation

The following table reconciles the Real Estate Properties from January 1, 2012 to December 31, 2014.

	2014	2013	2012
Balance at January 1	\$ 65,436,739	\$ 58,856,688	\$ 68,589,778
Current year depreciation expense	8,361,698	6,930,145	5,726,319
Disposition of real estate	(14,708,586)	(350,094)	(15,459,409)
<b>Balance at December 31</b>	<b><u>\$ 59,089,851</u></b>	<b><u>\$ 65,436,739</u></b>	<b><u>\$ 58,856,688</u></b>

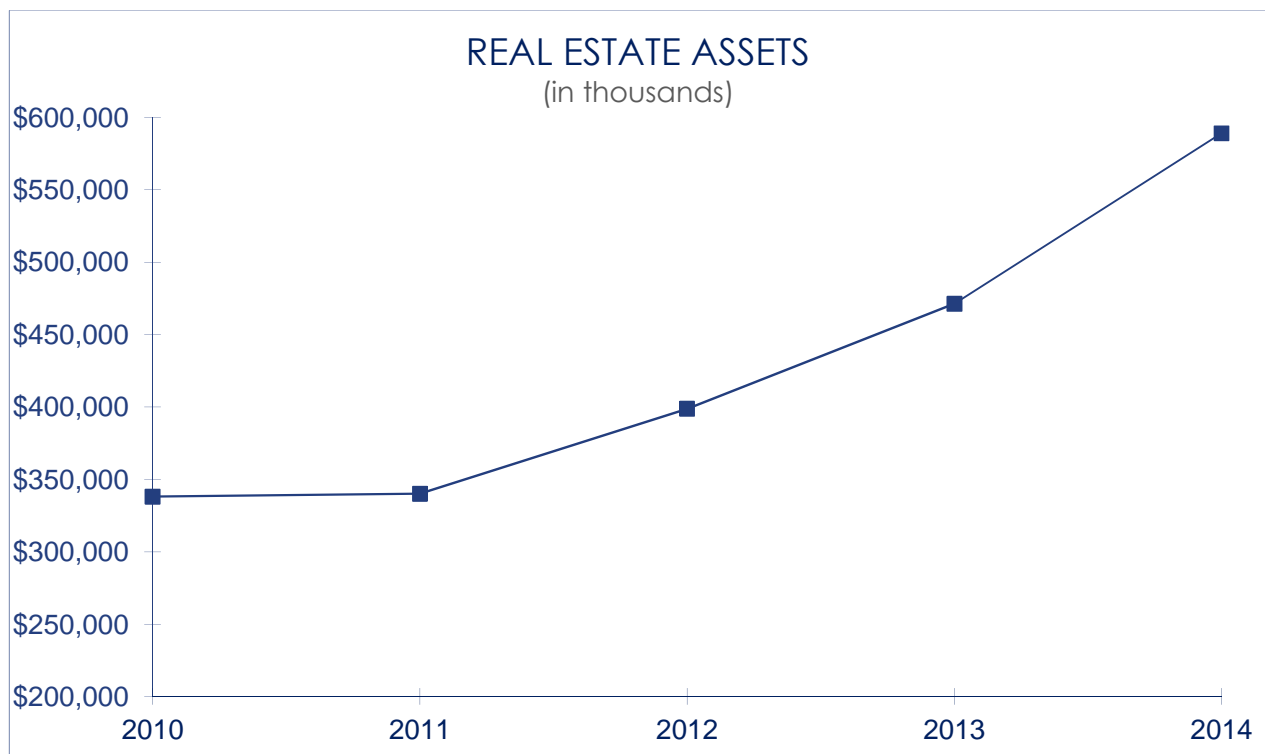
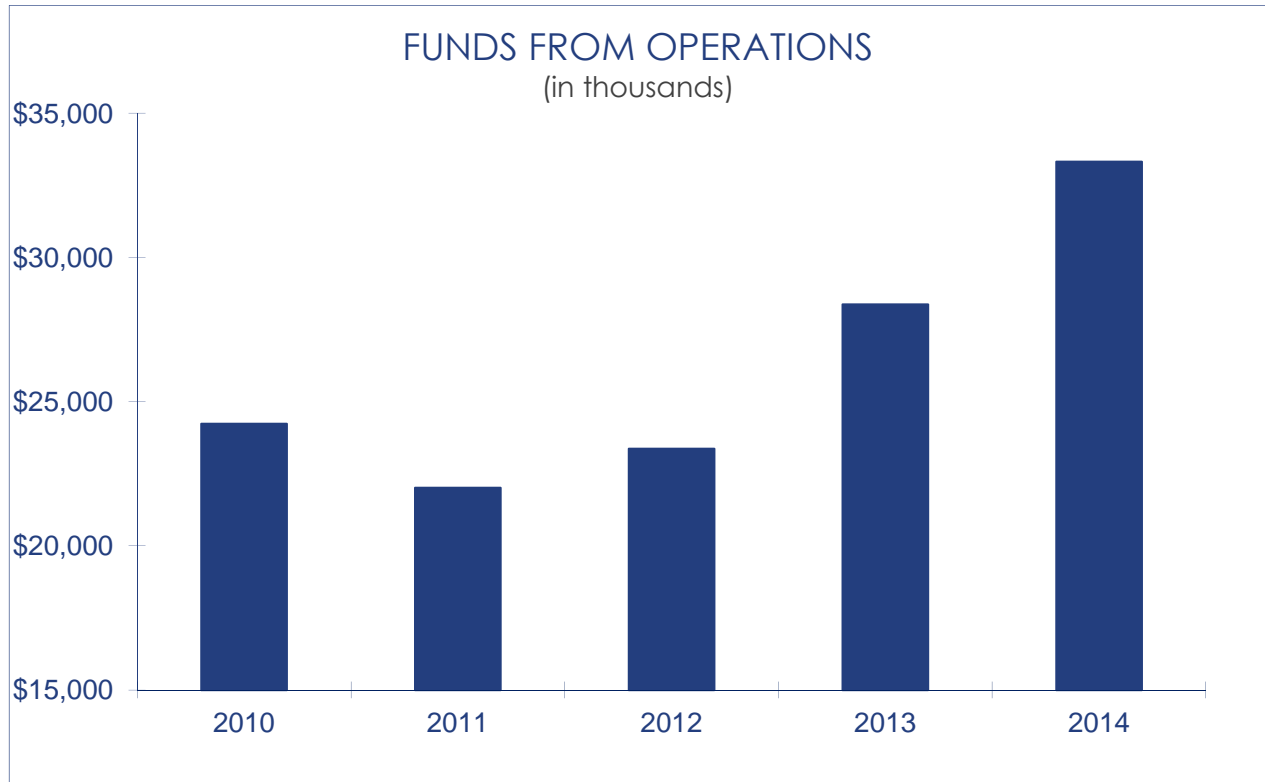
### 3. Tax Basis of Building and Improvements

The aggregate cost of Building and Improvements for federal income tax purposes is approximately \$14,723,000 less than the cost basis used for financial statement purposes.

# AGREE REALTY CORPORATION

## Financial Highlights

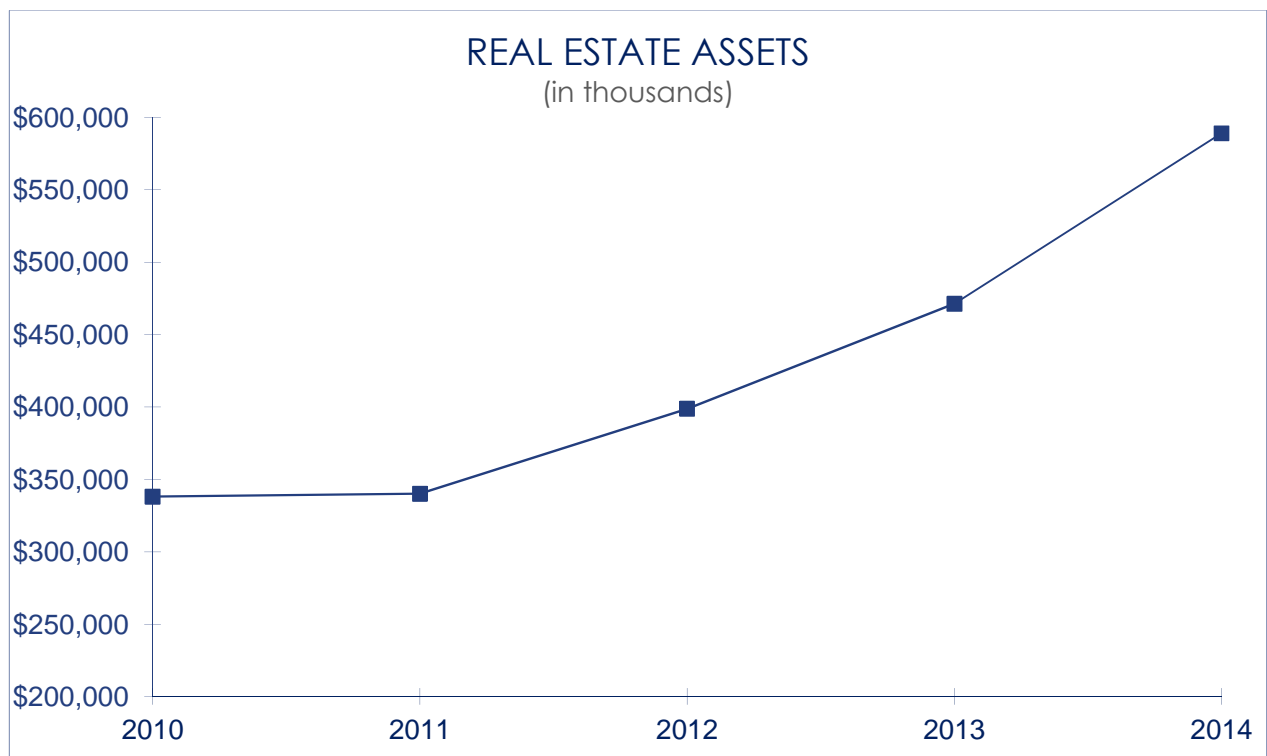
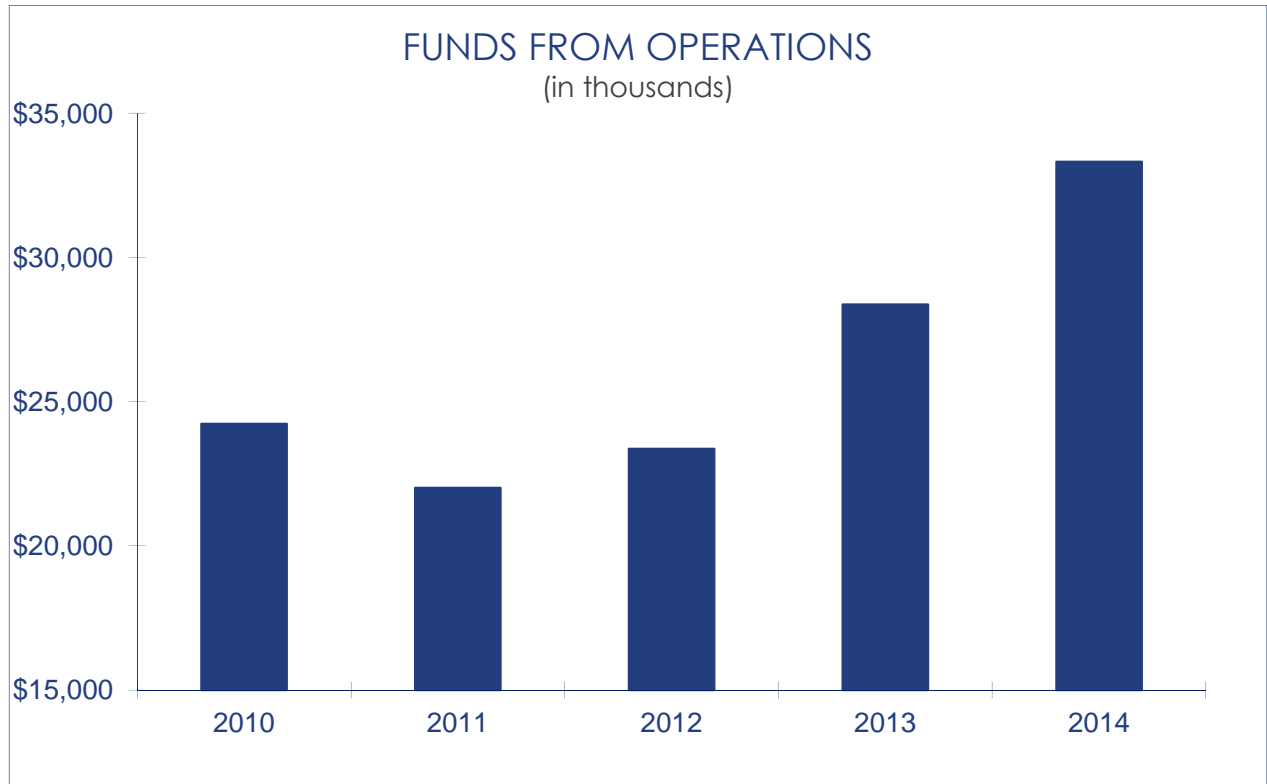
NYSE: ADC



# AGREE REALTY CORPORATION

## Financial Highlights

NYSE: ADC



# AGREE REALTY CORPORATION

## Financial Highlights

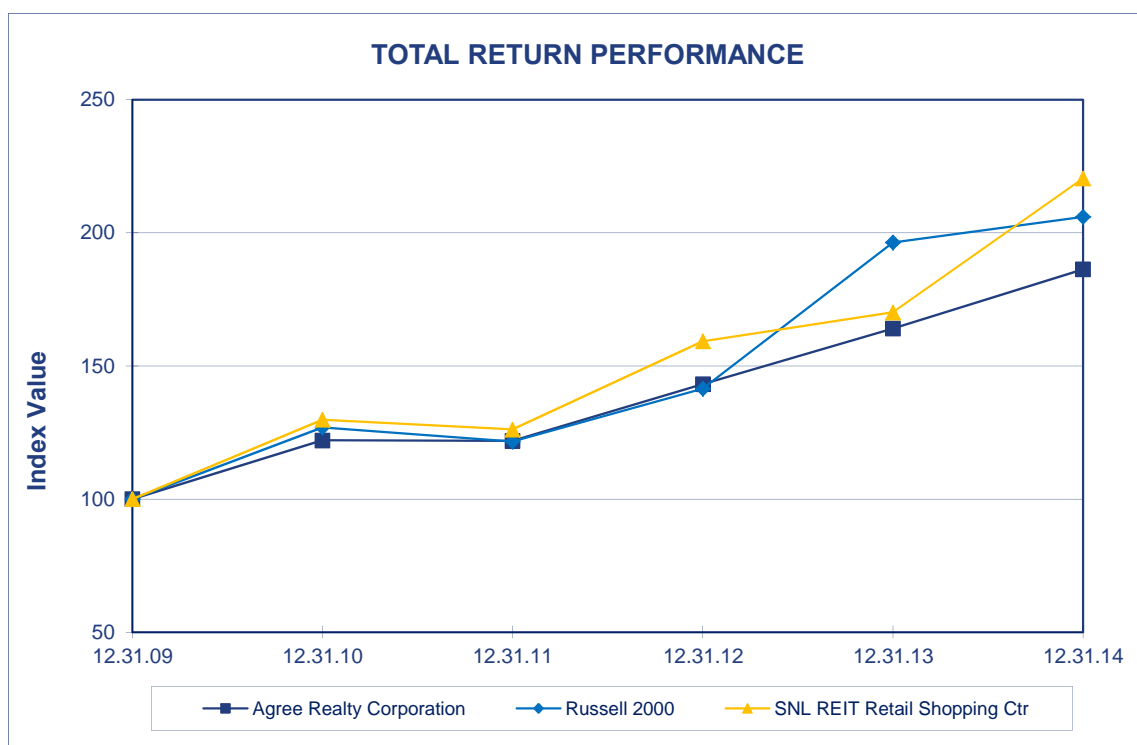
NYSE: ADC

### Financial - For Year Ended December 31,

	2014	2013	2012
Total revenues (\$000's)	\$ 53,559	\$ 43,518	\$ 34,624
Operating income (\$000's)	\$ 19,318	\$ 19,244	\$ 16,507
Funds from operations <sup>1</sup> (\$000's)	\$ 33,316	\$ 28,370	\$ 23,364
Funds from operations per share <sup>1</sup>	\$ 2.18	\$ 2.10	\$ 2.03
Dividends per share	\$ 1.74	\$ 1.64	\$ 1.60

### Property Portfolio

	2014	2013	2012
Real estate assets, at cost (\$000's)	\$ 589,147	\$ 471,366	\$ 398,812
Total assets (\$000's)	\$ 593,580	\$ 462,742	\$ 370,093
Total debt and accrued interest (\$000's)	\$ 222,483	\$ 158,869	\$ 161,242
Number of properties	209	130	109
Gross leasable area (sq. ft)	4,315,000	3,662,000	3,259,000



Index	Period Ending					
	12.31.09	12.31.10	12.31.11	12.31.12	12.31.13	12.31.14
Agree Realty Corporation	100.00	122.03	121.84	143.13	164.03	186.26
Russell 2000	100.00	126.86	121.56	141.43	196.34	205.95
SNL REIT Retail Shopping Ctr	100.00	129.81	126.10	159.21	170.11	220.42

# CORPORATE INFORMATION

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## EXECUTIVE OFFICERS

Richard Agree  
Executive Chairman  
Board of Directors

Brian R. Dickman  
Chief Financial Officer  
Secretary

Joey Agree  
President  
Chief Executive Officer  
Director

Laith Hermiz  
Executive Vice President

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## DIRECTORS

John Rakolta, Jr.  
Chairman & Chief Executive  
Officer  
Walbridge

Gene Silverman  
Retired, President & Chief  
Executive Officer  
Polygram Video

William S. Rubenfaer  
President  
Rubenfaer Associates, PC

Farris Kalil  
Retired, Director of Business  
Development of  
Commercial Lending  
Michigan National Bank

Leon Schurgin  
Of Counsel  
Dawda Mann

Jerry Rossi  
Retired, Group President  
The TJX Companies  
CEO, R&R Consulting

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Annual Meeting of Stockholders  
Monday, May 4, 2015 at 10:00 am  
Embassy Suites  
850 Tower Drive  
Troy, MI 48098

Counsel  
Honigman  
39400 Woodward Ave., Ste. 101  
Bloomfield Hills, MI 48304

Auditors  
Grant Thornton LLP  
27777 Franklin Road  
Southfield, MI 48034

Registrar & Transfer Agent  
Computershare  
P.O. Box 30170  
College Station, TX 77842-3170





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