HEALTHCARE TRUST OF AMERICA, INC.
Form 424B3
November 25, 2009

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-133652

HEALTHCARE TRUST OF AMERICA, INC.

SUPPLEMENT NO. 2 DATED NOVEMBER 25, 2009
TO THE PROSPECTUS DATED OCTOBER 23, 2009

This document supplements, and should be read in conjunction with, our prospectus dated October 23, 2009, as supplemented by Supplement No. 1 dated October 23, 2009, relating to our offering of 221,052,632 shares of our common stock. The purpose of this Supplement No. 2 is to:

- disclose the status of our initial public offering;
- disclose our proposed acquisition of the 17 property Roskamp Portfolio in Sun City and Sun City West, Arizona;
- disclose our proposed acquisition of the Hampden Place Medical Office Center in Englewood, Colorado;
- disclose our proposed acquisition of the Mary Black Medical Office Building in Spartanburg, South Carolina;
- disclose our proposed acquisition of the Smyth Professional Building in Baltimore, Maryland; and
- include our Quarterly Report on Form 10-Q for the period ended September 30, 2009.

Status of our Initial Public Offering

As of November 23, 2009, we had received and accepted subscriptions in our initial public offering for 132,817,235 shares of our common stock, or approximately $1,326,691,087, excluding shares issued under our distribution reinvestment plan. As of November 23, 2009, approximately 67,183,000 shares remained available for sale to the public under our initial public offering, excluding shares available under our distribution reinvestment plan. This offering has been extended pursuant to SEC Rule 415 under the Securities Act of 1933, as amended, and will expire no later than March 19, 2010, or the date on which the maximum offering has been sold.

Proposed Acquisition of the Roskamp Portfolio

On October 23, 2009, we entered into a purchase and sale agreement with Roskamp Management Company, LLC, or Roskamp, for the acquisition of a 17 property portfolio in Sun City and Sun City West, Arizona, or the Roskamp portfolio. The Roskamp portfolio consists of approximately 641,000 rentable square feet in the aggregate of medical and related space. At closing, approximately 89% of the rentable square feet will be leased, including 28% by Banner Health and the remainder will be leased primarily by medical tenants. Roskamp will execute leases at closing that will have an initial average term of approximately 4 years with two one-year extensions.

The purchase price for the Roskamp portfolio is $107,000,000. The acquisition of the portfolio is subject to a number of conditions, including our receipt of satisfactory due diligence information and the satisfaction of other conditions contained in the purchase agreement, including the execution of the leases with Roskamp. Upon execution of the purchase agreement, we paid a $1,000,000 escrow deposit which will be applied as a credit to the purchase price at closing. If no notice of termination of the purchase agreement is given to Roskamp prior to the expiration of the due

diligence period on November 25, 2009, this deposit will be non-refundable except in limited circumstances. The purchase agreement contemplates the closing to occur 21 days after the expiration of the due diligence period at which time the Company will pay an additional $3,000,000 escrow deposit which will be applied as a credit to the purchase price at closing.

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The Roskamp portfolio is located within the Sun City and Sun City West communities and on or near the campus of two significant Banner Health hospitals (Banner Boswell and Banner Del E. Webb). These hospitals are leading providers of healthcare services in these communities. Approximately 95% of the Roskamp portfolio s square footage is located on or adjacent to one of these two hospital campuses.

Proposed Acquisition of the Hampden Place Medical Center

On November 5, 2009, we entered into a purchase and sale agreement with a nonaffiliate to acquire the Hampden Place Medical Center, located in Englewood, Colorado, or Hampden Place, for approximately $18,600,000. Hampden Place consists of approximately 66,339 square feet of medical office and related space and is currently 100% leased. The closing is subject to a number of conditions contained in the purchase and sale agreement.

Hampden Place is located within the Englewood City Center, a transit-oriented, mixed-use redevelopment district. Hampden Place is located near the Swedish Medical Center and was developed in conjunction with local physicians and the HCA HealthOne Hospital System. The new state-of-the art medical office building houses an ambulatory surgery center, medical imaging, physiotherapy and medical offices for orthopedic, hematology-oncology and related-physician practices. The Swedish Medical Center is one of the flagship hospitals for HCA HealthOne and includes 386 licensed beds and a Level I trauma center.

Proposed Acquisition of the Mary Black Medical Office Building

On November 11, 2009, we entered into a purchase and sale agreement with a nonaffiliate to acquire the Mary Black Medical Office Building located in Spartanburg, South Carolina for approximately $16,250,000. The Mary Black Medical Office Building consists of approximately 108,500 rentable square feet of medical office and related space and is currently 73% leased. At closing, approximately 65% of the rentable square feet will be leased by Mary Black Health Care System and the remainder will be leased primarily by medical tenants. The closing is subject to a number of conditions. contained in the purchase and sale agreement.

The 3-year old Mary Black Medical Office Building is located on the campus of Mary Black Memorial Hospital and is attached to the hospital. The Mary Black Health System operates approximately 209 acute licensed beds and has approximately 386 active physicians on their medical staff. Mary Black Health System is part of the Community Health System in Brentwood, Tennessee.

Proposed Acquisition of the Smyth Professional Building

On November 12, 2009, we entered into a purchase and sale agreement with a nonaffiliate to acquire the Smyth Professional Building located in Baltimore, Maryland for approximately $11,250,000. The Smyth Professional Building consists of approximately 62,000 rentable square feet of medical office and related space and is currently 98% leased. The closing is subject to a number of conditions contained in the purchase and sale agreement.

The Smyth Professional Building is located on the campus of and is attached to Good Samaritan Hospital. Good Samaritan Hospital is a wholly owned subsidiary of MedStar Health, Inc., which together with Johns Hopkins University, occupies approximately 61% of the building. MedStar Health is a not-for-profit health system, with a current A- rating from both Fitch and Standard and Poor s. MedStar Health, which has a total of approximately 3,100 licensed beds and approximately 5,000 affiliated physicians, operates nine hospitals throughout Baltimore, Washington D.C. and Montgomery County, Maryland.

Quarterly Report on Form 10-Q for the Period Ended September 30, 2009

On November 16, 2009, we filed our Quarterly Report on Form 10-Q for the period ended September 30, 2009 with the Securities and Exchange Commission. This Quarterly Report (excluding the exhibits thereto) is attached as Annex A to this Supplement No. 2.

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ANNEX A

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

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-53206

Healthcare Trust of America, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**20-4738467**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16427 N. Scottsdale Road, Suite 440, Scottsdale, Arizona	**85254**
(Address of principal executive offices)	(Zip Code)

(480) 998-3478
(Registrant s telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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.

þ Yes o 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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	o		Accelerated filer	o
Non-accelerated filer	þ	(Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes

As of November 13, 2009, there were 131,833,342 shares of common stock of Healthcare Trust of America, Inc. outstanding.

Healthcare Trust of America, Inc.
(A Maryland Corporation)
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PART FINANCIAL INFORMATION

Item 1. Financial Statements.

Healthcare Trust of America, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2009 and December 31, 2008
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Real estate investments:		
Operating properties, net	$ 995,349,000	$ 810,920,000
Real estate notes receivable, net	16,599,000	15,360,000
Cash and cash equivalents	321,791,000	128,331,000
Accounts and other receivables, net	8,098,000	5,428,000
Restricted cash	15,314,000	7,747,000
Identified intangible assets, net	154,487,000	134,623,000
Other assets, net	16,777,000	11,514,000
Total assets	$ 1,528,415,000	$ 1,113,923,000
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage loans payable, net	$ 452,041,000	$ 460,762,000
Accounts payable and accrued liabilities	33,052,000	21,919,000
Accounts payable due to former affiliates, net	1,421,000	3,063,000
Derivative financial instruments	10,791,000	14,198,000
Security deposits, prepaid rent and other liabilities	4,975,000	4,582,000
Identified intangible liabilities, net	6,772,000	8,128,000
Total liabilities	509,052,000	512,652,000
Commitments and contingencies (Note 11)		
Redeemable noncontrolling interest of limited partners (Note 13)	2,467,000	1,951,000
Equity:		
Stockholders equity:		
Preferred stock, $0.01 par value; 200,000,000 shares authorized; none issued and outstanding		
Common stock, $0.01 par value; 1,000,000,000 shares authorized; 130,857,487 and 75,465,437 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	1,308,000	755,000
Additional paid-in capital	1,168,515,000	673,351,000
Accumulated deficit	(152,927,000)	(74,786,000)

Total stockholders equity		1,016,896,000		599,320,000
Total liabilities and equity	$	1,528,415,000	$	1,113,923,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

Healthcare Trust of America, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2009 and 2008
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Rental income	$ 30,886,000	$ 23,920,000	$ 89,914,000	$ 53,310,000
Interest income from real estate notes receivable, net	862,000		2,128,000	
Total revenues	31,748,000	23,920,000	92,042,000	53,310,000
Expenses:				
Rental expenses	10,494,000	8,700,000	32,854,000	18,612,000
General and administrative (Note 3)	11,095,000	2,758,000	21,955,000	6,801,000
Depreciation and amortization	13,287,000	11,213,000	39,231,000	24,905,000
Total expenses	34,876,000	22,671,000	94,040,000	50,318,000
Income before other income (expense)	(3,128,000)	1,249,000	(1,998,000)	2,992,000
Other income (expense):				
Interest expense (including amortization of deferred financing costs and debt discount):				
Interest expense related to note payable to affiliate		(1,000)		(2,000)
Interest expense related to mortgage loans payable and line of credit	(7,072,000)	(6,628,000)	(22,001,000)	(14,472,000)
Gain (loss) on derivative financial instruments	66,000	(310,000)	3,357,000	(414,000)
Interest and dividend income	60,000	52,000	233,000	83,000
Net loss	(10,074,000)	(5,638,000)	(20,409,000)	(11,813,000)
Less: Net income attributable to noncontrolling interest of limited partners	(70,000)	(47,000)	(241,000)	(156,000)
Net loss attributable to controlling interest	$ (10,144,000)	$ (5,685,000)	$ (20,650,000)	$ (11,969,000)
Net loss per share attributable to controlling interest basic and diluted	$ (0.08)	$ (0.12)	$ (0.20)	$ (0.34)

Weighted average number of shares outstanding				
Basic	124,336,078	47,735,536	105,257,482	35,100,807
Diluted	124,336,078	47,735,536	105,257,482	35,100,807

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Healthcare Trust of America, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Nine Months Ended September 30, 2009 and 2008
(Unaudited)

	Stockholders Equity				
	Common Stock				
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Equity
BALANCE December 31, 2007	21,449,451	$ 214,000	$ 190,534,000	$ (15,158,000)	$ 175,590,000
Issuance of common stock	34,050,254	341,000	339,767,000		340,108,000
Issuance of vested and nonvested restricted common stock	12,500		25,000		25,000
Offering costs			(36,364,000)		(36,364,000)
Amortization of nonvested common stock compensation			63,000		63,000
Issuance of common stock under the DRIP	832,339	8,000	7,899,000		7,907,000
Repurchase of common stock	(63,426)	(1,000)	(633,000)		(634,000)
Distributions				(19,175,000)	(19,175,000)
Net loss attributable to controlling interest				(11,969,000)	(11,969,000)
BALANCE September 30, 2008	56,281,118	$ 562,000	$ 501,291,000	$ (46,302,000)	$ 455,551,000
BALANCE December 31, 2008	75,465,437	$ 755,000	$ 673,351,000	$ (74,786,000)	$ 599,320,000
Issuance of common stock	53,276,134	533,000	530,485,000		531,018,000
Offering costs			(54,533,000)		(54,533,000)
Issuance of nonvested restricted common stock	57,500				
Issuance of vested restricted common stock, net, and related compensation	42,500		425,000		425,000
Amortization of nonvested share based compensation			235,000		235,000
	2,807,028	28,000	26,638,000		26,666,000

Issuance of common stock under the DRIP					
Repurchase of common stock	(791,112)	(8,000)	(7,520,000)		(7,528,000)
Distributions				(57,491,000)	(57,491,000)
Adjustment to redeemable noncontrolling interests			(566,000)		(566,000)
Net loss attributable to controlling interest				(20,650,000)	(20,650,000)
BALANCE September 30, 2009	130,857,487	$ 1,308,000	$ 1,168,515,000	$ (152,927,000)	$ 1,016,896,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Healthcare Trust of America, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2009 and 2008
(Unaudited)

	Nine Months Ended September 30,	
	2009	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (20,409,000)	$ (11,813,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization (including deferred financing costs, above/below market leases, debt discount, leasehold interests, deferred rent receivable, note receivable closing costs and discount and lease inducements)	36,088,000	23,607,000
Stock based compensation, net of forfeitures	660,000	88,000
Loss on property insurance settlements	6,000	89,000
Bad debt expense	1,097,000	362,000
Change in fair value of derivative financial instruments	(3,357,000)	414,000
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(2,806,000)	(4,364,000)
Other assets	(3,202,000)	(572,000)
Accounts payable and accrued liabilities	8,837,000	7,231,000
Accounts payable due to former affiliates, net	207,000	336,000
Security deposits, prepaid rent and other liabilities	(1,153,000)	255,000
Net cash provided by operating activities	15,968,000	15,633,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of real estate operating properties	(241,668,000)	(448,852,000)
Capital expenditures	(6,320,000)	(2,799,000)
Restricted cash	(7,567,000)	(3,920,000)
Proceeds from insurance settlement	299,000	
Net cash used in investing activities	(255,256,000)	(455,571,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on mortgage loans payable	1,696,000	227,695,000
Borrowings on unsecured notes payable to affiliate		6,000,000
Borrowings under the line of credit, net		(51,801,000)
Payments on mortgage loans payable	(10,624,000)	(1,217,000)
Payments on unsecured notes payable to affiliate		(6,000,000)
Proceeds from issuance of common stock	533,303,000	341,755,000
Deferred financing costs	(60,000)	(3,497,000)
Security deposits	126,000	120,000
Repurchase of common stock	(7,528,000)	(634,000)
Payment of offering costs	(56,382,000)	(34,153,000)

Distributions		(27,493,000)		(9,274,000)
Distributions to noncontrolling interest limited partner		(290,000)		(235,000)
Net cash provided by financing activities		432,748,000		468,759,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		193,460,000		28,821,000
CASH AND CASH EQUIVALENTS Beginning of period		128,331,000		5,467,000
CASH AND CASH EQUIVALENTS End of period	$	321,791,000	$	34,288,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for:				
Interest	$	19,893,000	$	13,058,000
Income taxes	$	74,000	$	62,000
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:				
Investing Activities:				
Accrued capital expenditures	$	1,243,000	$	1,979,000
The following represents the increase in certain assets and liabilities in connection with our acquisitions of operating properties :				
Other assets, net	$	83,000	$	318,000
Mortgage loans payable, net	$		$	42,157,000
Accounts payable and accrued liabilities	$	70,000	$	3,420,000
Accounts payable due to affiliates, net	$		$	68,000
Security deposits, prepaid rent and other liabilities	$	574,000	$	1,978,000
Financing Activities:				
Issuance of common stock under the DRIP	$	26,666,000	$	7,907,000
Distributions declared but not paid	$	7,814,000	$	3,248,000
Accrued offering costs	$	68,000	$	3,323,000
Accrued deferred financing costs	$	14,000	$	1,537,000
Adjustment to redeemable noncontrolling interests	$	566,000	$	40,000
Security Deposits Required	$	652,000	$	

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three and Nine Months Ended September 30, 2009 and 2008

The use of the words we, us or our refers to Healthcare Trust of America, Inc. and its subsidiaries, including Healthcare Trust of America Holdings, LP except where the context otherwise requires.

1. Organization and Description of Business

Healthcare Trust of America, Inc., formerly known as Grubb & Ellis Healthcare REIT, Inc., a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006 and therefore we consider that our date of inception. We provide stockholders the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings and healthcare-related facilities. We have also invested to a limited extent in commercial office properties and other real estate related assets. However, we do not presently intend to invest more than 15.0% of our total assets in other real estate related assets. We focus primarily on investments that produce recurring income. We have qualified and elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes and we intend to continue to be taxed as a REIT.

We are conducting a best efforts initial public offering, or our initial offering, in which we are offering up to 200,000,000 shares of our common stock for $10.00 per share and up to 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, or the DRIP, at $9.50 per share, aggregating up to $2,200,000,000. The initial offering is currently scheduled to expire upon the earlier of March 19, 2010, or the date on which the maximum offering has been sold. As of September 30, 2009, we had received and accepted subscriptions in our initial offering for 127,100,943 shares of our common stock, or $1,268,416,000, excluding shares of our common stock issued under the DRIP.

On April 6, 2009, we filed a Registration Statement on Form S-11 with the United States Securities and Exchange Commission, or the SEC, with respect to a proposed follow-on public offering, or our follow-on offering, of up to 221,052,632 shares of our common stock. Our follow-on offering would include up to 200,000,000 shares of our common stock to be offered for sale at $10.00 per share and up to 21,052,632 shares of our common stock to be offered for sale pursuant to the DRIP at $9.50 per share. We have not issued any shares under this registration statement as it has not been declared effective by the SEC.

We conduct substantially all of our operations through Healthcare Trust of America Holdings, LP, or our operating partnership. Our internal management team manages our day-to-day operations and oversees and supervises our employees and outside service providers. We were formerly advised by Grubb & Ellis Healthcare REIT Advisor, LLC, or our former advisor, under the terms of the advisory agreement, effective as of October 24, 2008, and as amended and restated on November 14, 2008 and, or the Advisory Agreement, between us, our former advisor and Grubb & Ellis Realty Investors, LLC, or Grubb & Ellis Realty Investors, who is the managing member of our former advisor. The Advisory Agreement expired on September 20, 2009.

Our former advisor engaged affiliated entities, including but not limited to Triple Net Properties Realty, Inc., or Realty, and Grubb & Ellis Management Services, Inc., to provide various services to us, including but not limited to property management and leasing services. On July 28, 2009, we entered into property management and leasing agreements with the following companies, each to manage a specific geographic region: CB Richard Ellis, PM Realty Group, Hokanson Companies, The Plaza Companies, and Nath Companies. On August 31, 2009, each of our subsidiaries terminated its management agreement with Realty.

Upon the effectiveness of our initial offering, we entered into a dealer manager agreement with Grubb & Ellis Securities, Inc., or Grubb & Ellis Securities, or our former dealer manager. On May 21, 2009, we provided notice to Grubb & Ellis Securities pursuant to the dealer manager agreement that we would proceed with a dealer manager transition pursuant to which Grubb & Ellis Securities would cease to serve as our dealer manager for our initial offering at the end of the day on August 28, 2009. Commencing August 29, 2009, Realty Capital Securities, LLC, or RCS, assumed the role of dealer manager for the remainder of the offering period pursuant to a new dealer manager agreement. We entered into a services agreement on April 3, 2009 with American Realty Capital

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

II, LLC, an affiliate of RCS, relating to the provision of certain consulting services to us, as well as making available to us certain backup support services. This services agreement was amended on August 17, 2009 to delay its effective date until December 1, 2009.

Our main objectives in amending the Advisory Agreement were to reduce acquisition and asset management fees, eliminate internalization fees, discussed below, and to set the framework for our transition to self-management. We started our transition to self-management in the fourth quarter of 2008. This transition is complete and we consider ourselves to be self-managed. We are conducting an ongoing review of advisory services and dealer manager services previously provided by our former advisor and former dealer manager, to ensure that such services have been performed consistent with applicable agreements and standards.

Self-management is a corporate model based on internal management rather than external management. In general, non-traded REIT s are externally managed. With external management, a REIT is dependent upon an external advisor. An externally-managed REIT typically pays acquisition fees, disposition fees, asset management fees, property management fees and other fees to its external advisor for services provided. In contrast, under self-management, we are internally managed by our management team led by Scott D. Peters, our Chief Executive Officer, President and Chairman of the board of directors, under the direction of our Board of Directors. With a self-managed REIT, fees paid to third parties are expected to be substantially reduced.

We anticipate that the various costs of self-management will also be mitigated by the substantial reduction of the acquisition fees and the asset management fees payable to our former advisor under the Advisory Agreement.

As of September 30, 2009, we had made 45 geographically diverse acquisitions comprising 6,341,000 square feet of gross leasable area, or GLA, for an aggregate purchase price of $1,206,740,000 which includes 154 buildings and one real estate related asset. As of September 30, 2009, the aggregate occupancy at these properties was 90.4%.

Our principal executive offices are located at 16427 N. Scottsdale Road, Suite 440, Scottsdale, Arizona, 85254 and the telephone number is (480) 998-3478. For investor services, please contact DST Systems, Inc, by telephone at (888) 801-0107.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our interim consolidated financial statements. Such interim consolidated financial statements and the accompanying notes thereto are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing our accompanying interim consolidated financial statements.

Basis of Presentation

Our accompanying interim consolidated financial statements include our accounts and those of our operating partnership, the wholly-owned subsidiaries of our operating partnership and any variable interest entities, as defined in the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 810, *Consolidation* (ASC 810). All significant intercompany balances and transactions have been eliminated in the consolidated financial

statements. We operate in an umbrella partnership REIT structure in which wholly-owned subsidiaries of our operating partnership own all of the properties acquired on our behalf. We are the sole general partner of our operating partnership and as of September 30, 2009 and December 31, 2008, we owned greater than a 99.99% general partnership interest in our operating partnership. Our former advisor is a limited partner of our operating partnership and as of September 30, 2009 and December 31, 2008, owned less than a 0.01% limited partnership interest in our operating partnership. Our former advisor may be entitled to certain subordinated

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

distribution rights under the partnership agreement for our operating partnership, subject to a number of conditions. Because we are the sole general partner of our operating partnership and have unilateral control over its management and major operating decisions (even if additional limited partners are admitted to our operating partnership), the accounts of our operating partnership are consolidated in our consolidated financial statements. All intercompany accounts and transactions are eliminated in consolidation.

The condensed consolidated financial statements and notes have been prepared consistently with the 2008 Form 10-K and Form 10-Q for the period ended September 30, 2008 with the exception of the reclassification of certain prior-year amounts on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statement of Operations, and Condensed Consolidated Statement of Cash Flows in accordance with SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB 51,* codified primarily in ASC 810.

Interim Unaudited Financial Data

Our accompanying interim consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying interim consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying interim consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable. Our accompanying interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2008 Annual Report on Form 10-K, as filed with the SEC on March 27, 2009.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents of $321,791,000 and $128,331,000, includes approximately $201,998,000 and $0 in short-term U.S. Treasury bills as of September 30, 2009 and December 31, 2008, respectively. We account for short-term investments in accordance with ASC 320, *Investments Debt and Equity Securities* (ASC 320). We determine the appropriate classification of all short-term investments as held-to-maturity, available-for-sale, or trading at the time of purchase and re-evaluate such classification as of each balance sheet date. The U.S. Treasury bills are considered trading as of September 30, 2009 and matured in October 2009.

Segment Disclosure

ASC 280, *Segment Reporting* (ASC 280) establishes standards for reporting financial and descriptive information about an enterprise s reportable segment. We have determined that we have one reportable segment, with activities related to investing in medical office buildings, healthcare-related facilities, commercial office properties and other real estate related assets. Our investments in real estate and other real estate related assets are geographically diversified and our chief operating decision maker evaluates operating performance on an individual asset level. As each of our assets has similar economic characteristics, tenants, and products and services, our assets have been aggregated into one reportable segment.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued Financial Accounting Standards (SFAS) No. 141 (revised 2007), *Business Combinations* , codified primarily in ASC 805, *Business Combinations* (ASC 805). ASC 805 clarifies and amends the accounting guidance for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree. The provisions of ASC 805 became effective for us for any business combinations occurring on or after January 1, 2009. The adoption of ASC 805 has a material impact on our results of operations when we acquire real estate properties. We anticipate that the new provisions will have an impact on the cost allocation of future acquisitions and will require that we expense acquisition costs for future property acquisitions.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB* 51, codified primarily in ASC 810. This statement amends ARB 51 and revises accounting and reporting requirements for noncontrolling interest (formerly minority interest) in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 was effective for us on January 1, 2009, except for the presentation and disclosure requirements which were applied retrospectively for all periods presented. The adoption of SFAS No. 160 had an impact on the presentation and disclosure of noncontrolling (minority) interests in our condensed consolidated financial statements. As a result of the retrospective presentation and disclosure requirements of SFAS No. 160, we are required to reflect the change in presentation and disclosure for all periods presented. The principal effect on the consolidated balance sheet as of December 31, 2008 related to the adoption of SFAS No. 160 was the change in presentation of the mezzanine section of the minority interest of limited partner in operating partnership of $1,000 and the minority interest of limited partner of $1,950,000, as previously reported, to redeemable noncontrolling interest of limited partners of $1,951,000, as reported herein. Additionally, the adoption of SFAS No. 160 had the effect of reclassifying (income) loss attributable to noncontrolling interest in the consolidated statements of operations from minority interest to separate line items. SFAS No. 160 also requires that net income (loss) be adjusted to include the net income attributable to the noncontrolling interest, and a new line item for net income attributable to controlling interest be presented in the condensed consolidated statements of operations. Thus, after adoption of SFAS No. 160 net loss for the three months ended September 30, 2008 of $5,685,000, as previously reported, changed to net loss of $5,638,000, as reported herein, and net income attributable to controlling interest is equal to net income as previously reported prior to the adoption of SFAS No. 160. Net loss for the nine months ended September 30, 2008 of $11,969,000, as previously reported, changed to net loss of $11,813,000, as reported herein, and net loss attributable to controlling interest is equal to net loss as previously reported prior to the adoption of SFAS No. 160.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment to FASB Statement No. 133*, codified primarily in ASC 815. ASC 815 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance and cash flows. ASC 815 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. SFAS No. 161 also provides more information about an entity s liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, ASC 815 requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. ASC 815 is effective for quarterly interim periods beginning after November 15, 2008, and fiscal years that include those quarterly interim periods, with early application encouraged. We adopted ASC 815 on a prospective basis on January 1, 2009. The adoption of ASC 815 did not have a material impact on our consolidated financial statements.

In June 2008, the FASB issued FSP Emerging Issues Task Force, or EITF, Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,* or FSP EITF No. 03-6-1, codified primarily in ASC 260, *Earning per Share* (ASC 260). FSP EITF No. 03-6-1 addresses whether instruments granted by an entity in share-based payment transactions should be considered as participating securities prior to vesting and, therefore, should be included in the earnings allocation in computing earnings per share under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, *Earnings per Share.* FSP EITF No. 03-6-1 clarifies that instruments granted in share-based payment transactions can be

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

participating securities prior to vesting (that is, awards for which the requisite service had not yet been rendered). Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF No. 03-6-1 requires us to retrospectively adjust our earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform to the provisions of FSP EITF No. 03-6-1. We adopted FSP EITF No. 03-6-1 on January 1, 2009. The adoption of FSP EITF No. 03-6-1 did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position (FSP) No. SFAS 157-4, *Determining Fair Value when the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are not Orderly* (FSP No. SFAS 157-4), codified primarily in ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), which provides guidance on determining fair value when market activity has decreased. We elected to early adopt ASC 820 as it relates to FSP No. SFAS 157-4 beginning January 1, 2009. Its adoption has not had a material impact on the Company s condensed consolidated unaudited financial statements.

In April 2009, the FASB issued FSP FAS No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments,* or FSP FAS No. 107-1 and APB Opinion No. 28-1, codified primarily in ASC 825, *Financial Instruments* (ASC 825). FSP FAS No. 107-1 and APB Opinion No. 28-1 relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. The FSP now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The Company early adopted FSP FAS No. 107-1 and APB Opinion No. 28-1 on a prospective basis on January 1, 2009, which did not have a material impact on our consolidated financial statements. We have provided these disclosures in Note 16, Fair Value of Financial Instruments.

In April 2009, the FASB issued FSP FAS No. 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies,* or FSP FAS No. 141(R)-1, codified primarily in ASC 805. FSP FAS No. 141(R)-1 amends and clarifies FASB Statement No. 141 (revised 2007), *Business Combinations,* to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. We adopted FSP FAS No. 141(R)-1 on a prospective basis on January 1, 2009. The adoption of FSP FAS No. 141(R)-1 did not have a material impact on our consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, codified primarily in ASC 855, *Subsequent Events* (ASC 855), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. ASC 855 was effective for us on April 1, 2009. The additional disclosures required by this pronouncement are included in Note 20, Subsequent Events. The adoption of ASC 855 has not had a material impact on our condensed consolidated unaudited financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167), which modifies how a company determines when an entity that is a VIE should be consolidated. SFAS No. 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity s

purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. SFAS No. 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a VIE. SFAS No. 167 also requires additional disclosures about a company s involvement in VIEs and any significant changes in risk exposure due to that involvement. SFAS No. 167 is effective for us on January 1, 2010. We have not determined what impact, if any, the adoption of SFAS No. 167 will have on our consolidated financial statements and related disclosures. This pronouncement has not been incorporated into the FASB ASC as of September 30, 2009.

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles. The FASB *Accounting Standards Codification*™ (the Codification) will become the source of authoritative GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification became effective on July 1, 2009 and superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification is nonauthoritative. We adopted the Codification beginning on July 1, 2009. Because the Codification is not intended to change GAAP, it did not have a material impact on our condensed consolidated unaudited financial statements.

In August 2009, the FASB issued Accounting Standard Update 2009-05, *Fair Value Measurements and Disclosures* (ASU 2009-05), which provides alternatives to measuring the fair value of liabilities when a quoted price for an identical liability traded in an active market does not exist. The alternatives include using either (1) a valuation technique that uses quoted prices for identical or similar liabilities or (2) another valuation technique, such as a present value technique or a technique that is based on the amount paid or received by the reporting entity to transfer an identical liability. The amended guidance will be effective for us beginning October 1, 2009. We do not expect the adoption of ASU 2009-05 to have a material impact on our condensed consolidated unaudited financial statements.

3. Real Estate Investments

Our investments in our consolidated properties consisted of the following as of September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Land	$ 114,896,000	$ 107,389,000
Building and improvements	928,094,000	728,171,000
Furniture and equipment	10,000	10,000
	1,043,000,000	835,570,000
Less: accumulated depreciation	(47,651,000)	(24,650,000)
	$ 995,349,000	$ 810,920,000

Depreciation expense for the three months ended September 30, 2009 and 2008 was $8,186,000 and $6,139,000, respectively, and depreciation expense for the nine months ended September 30, 2009 and 2008 was $23,407,000 and $13,566,000, respectively.

Acquisitions in 2009

During the nine months ended September 30, 2009, we completed the acquisition of three properties and three office condominiums related to existing properties in our portfolio. The aggregate purchase price of these properties was $240,324,000. These properties were purchased with funds raised from our initial offering. We paid $6,008,000 in

acquisition fees to our former advisor and its affiliates in connection with these acquisitions. The fees were expensed and included in general and administrative in our accompanying condensed consolidated statements of operations in accordance with new accounting provisions adopted in the current year which require

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

the immediate expensing of such items. Acquisitions completed during the nine months ended September 30, 2009 are set forth below:

Property	Property Location	Date Acquired	Ownership Percentage	Purchase Price	Mortgage Loan Payables(1)	Fee to our Former Advisor and Affiliate(2)
Lima Medical Office Portfolio(3)	Lima, OH	01/16/09	100%	$ 385,000	$	$ 9,000
Wisconsin Medical Office Buildings Portfolio	Menomonee Falls, Mequon, Milwaukee and Richfield, WI	02/27/09	100%	33,719,000		843,000
Mountain Empire Portfolio(3)	Rogersville, TN	03/27/09	100%	2,275,000	1,696,000	57,000
Lima Medical Office Portfolio(3)	Lima, OH	04/21/09	100%	425,000		11,000
Wisconsin Medical Office Buildings Portfolio 2	Mequon and Franklin, WI	05/27/09	100%	40,700,000		1,017,000
Greenville Hospital Systems	Greenville, SC	09/18/09	100%	162,820,000		4,071,000
Total				$ 240,324,000	$ 1,696,000	$ 6,008,000

(1) Represents the amount of the mortgage loan payable newly placed on the property in connection with the acquisition or secured by the property subsequent to acquisition.

(2) Our former advisor or its affiliates received, as compensation for services rendered in connection with the investigation, selection and acquisition of our properties, an acquisition fee of up to 2.5% of the contract purchase price for each property acquired.

(3) This acquisition was an office condominium/building related to an existing property in our portfolio.

Also see Note 17, Business Combinations, for additional disclosures related to our acquisitions.

4. Real Estate Notes Receivable, Net

Real estate notes receivable, net consisted of the following as of September 30, 2009 and December 31, 2008:

Property Name and Location	Property Type	Interest Rate	Maturity Date	September 30, 2009	December 31, 2008
MacNeal Hospital Medical Office Building Berwyn, Illinois	Medical Office Building	5.95%	11/01/11	$ 7,500,000	$ 7,500,000
MacNeal Hospital Medical Office Building Berwyn, Illinois	Medical Office Building	5.95%	11/01/11	7,500,000	7,500,000
St. Luke s Medical Office Building Phoenix, Arizona	Medical Office Building	5.85%	11/01/11	3,750,000	3,750,000
St. Luke s Medical Office Building Phoenix, Arizona	Medical Office Building	5.85%	11/01/11	1,250,000	1,250,000
				20,000,000	20,000,000
Add: closing costs, net				276,000	360,000
Less: discount, net				(3,677,000)	(5,000,000)
Real estate notes receivable, net				$ 16,599,000	$ 15,360,000

The discount is amortized on a straight-line basis over the life of the note.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

5. Identified Intangible Assets, Net

Identified intangible assets consisted of the following as of September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
In place leases, net of accumulated amortization of $21,988,000 and $13,350,000 as of September 30, 2009 and December 31, 2008, respectively (with a weighted average remaining life of 9.3 years and 7.6 years as of September 30, 2009 and December 31, 2008, respectively)	$ 67,012,000	$ 55,144,000
Above market leases, net of accumulated amortization of $2,788,000 and $1,513,000 as of September 30, 2009 and December 31, 2008, respectively (with a weighted average remaining life of 8.0 years and 8.3 years as of September 30, 2009 and December 31, 2008, respectively)	9,681,000	10,482,000
Tenant relationships, net of accumulated amortization of $11,676,000 and $6,479,000 as of September 30, 2009 and December 31, 2008, respectively (with a weighted average remaining life of 12.7 years and 11.7 years as of September 30, 2009 and December 31, 2008, respectively)	73,612,000	64,881,000
Leasehold interests, net of accumulated amortization of $87,000 and $45,000 as of September 30, 2009 and December 31, 2008, respectively (with a weighted average remaining life of 79.7 years and 81.8 years as of September 30, 2009 and December 31, 2008, respectively)	4,168,000	3,998,000
Master lease, net of accumulated amortization of $335,000 and $231,000 as of September 30, 2009 and December 31, 2008, respectively (with a weighted average remaining life of 2 months and 8 months as of September 30, 2009 and December 31, 2008, respectively)	14,000	118,000
	$ 154,487,000	$ 134,623,000

Amortization expense recorded on the identified intangible assets for the three months ended September 30, 2009 and 2008 was $5,477,000 and $5,498,000, respectively, which included $497,000 and $443,000, respectively, of amortization recorded against rental income for above market leases and $15,000 and $12,000, respectively, of amortization recorded against rental expenses for leasehold interests in our accompanying condensed consolidated statements of operations. Amortization expense recorded on the identified intangible assets for the nine months ended September 30, 2009 and 2008 was $17,080,000 and $12,148,000, respectively, which included $1,459,000 and $839,000, respectively, of amortization recorded against rental income for above market leases and $43,000 and $29,000, respectively, of amortization recorded against rental expenses for leasehold interests in our accompanying condensed consolidated statements of operations.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

6. Other Assets, Net

Other assets, net, consisted of the following as of September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Deferred financing costs, net of accumulated amortization of $2,881,000 and $1,461,000 as of September 30, 2009 and December 31, 2008, respectively	$ 3,360,000	$ 4,751,000
Lease commissions, net of accumulated amortization of $334,000 and $99,000 as of September 30, 2009 and December 31, 2008, respectively	2,359,000	1,009,000
Lease inducements, net of accumulated amortization of $191,000 and $107,000 as of September 30, 2009 and December 31, 2008, respectively	832,000	753,000
Deferred rent receivable	7,585,000	3,928,000
Prepaid expenses, deposits and other	2,641,000	1,073,000
	$ 16,777,000	$ 11,514,000

Amortization and depreciation expense recorded on deferred financing costs, lease commissions, lease inducements and other assets for the three months ended September 30, 2009 and 2008 was $642,000 and $456,000, respectively, of which $469,000 and $403,000, respectively, of amortization was recorded against interest expense for deferred financing costs and $36,000 and $22,000, respectively, of amortization was recorded against rental income for lease inducements in our accompanying condensed consolidated statements of operations. Amortization and depreciation expense recorded on deferred financing costs, lease commissions, lease inducements and other assets for the nine months ended September 30, 2009 and 2008 was $1,733,000 and $953,000, respectively, of which $1,402,000 and $831,000, respectively, of amortization was recorded against interest expense for deferred financing costs and $85,000 and $63,000, respectively, of amortization was recorded against rental income for lease inducements in our accompanying condensed consolidated statements of operations.

7. Mortgage Loans Payable, Net

Mortgage Loans Payable

Mortgage loans payable were $453,614,000 ($452,041,000, net of discount) and $462,542,000 ($460,762,000, net of discount) as of September 30, 2009 and December 31, 2008, respectively. As of September 30, 2009, we had fixed and variable rate mortgage loans with effective interest rates ranging from 1.60% to 12.75% per annum and a weighted average effective interest rate of 3.59% per annum. As of September 30, 2009, we had $131,941,000 ($130,368,000, net of discount) of fixed rate debt, or 29.1% of mortgage loans payable, at a weighted average interest rate of 5.76% per annum, and $321,673,000 of variable rate debt, or 70.9% of mortgage loans payable, at a weighted average interest rate of 2.70% per annum. As of December 31, 2008, we had fixed and variable rate mortgage loans with effective interest rates ranging from 1.90% to 12.75% per annum and a weighted average effective interest rate of

4.07% per annum. As of December 31, 2008, we had $141,058,000 ($139,278,000 net of discount) of fixed rate debt, or 30.5% of mortgage loans payable, at a weighted average interest rate of 5.76% per annum, and $321,484,000 of variable rate debt, or 69.5% of mortgage loans payable, at a weighted average interest rate of 3.33% per annum. We are required by the terms of the applicable loan documents to meet certain financial covenants, such as debt service coverage ratios, rent coverage ratios and reporting requirements. As December 31, 2008, we were in compliance with all such covenants and requirements. As of September 30, 2009, we believe that we were in compliance with all such covenants and requirements on $426,414,000 of our mortgage loans payable and are making appropriate adjustments to comply with such covenants on $27,200,000 of our mortgage loans payable by depositing $6,357,000 into a restricted collateral account.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Mortgage loans payable consisted of the following as of September 30, 2009 and December 31, 2008:

Property	Interest Rate	Maturity Date	September 30, 2009	December 31, 2008
Fixed Rate Debt:				
Southpointe Office Parke and Epler Parke I	6.11%	09/01/16	$ 9,146,000	$ 9,146,000
Crawfordsville Medical Office Park and Athens Surgery Center	6.12%	10/01/16	4,264,000	4,264,000
The Gallery Professional Building	5.76%	03/01/17	6,000,000	6,000,000
Lenox Office Park, Building G	5.88%	02/01/17	12,000,000	12,000,000
Commons V Medical Office Building	5.54%	06/11/17	9,843,000	9,939,000
Yorktown Medical Center and Shakerag Medical Center	5.52%	05/11/17	13,530,000	13,530,000
Thunderbird Medical Plaza	5.67%	06/11/17	13,960,000	14,000,000
Gwinnett Professional Center	5.88%	01/01/14	5,541,000	5,604,000
St. Mary Physicians Center	5.80%	09/04/09		8,280,000
Northmeadow Medical Center	5.99%	12/01/14	7,745,000	7,866,000
Medical Portfolio 2	5.91%	07/01/13	14,270,000	14,408,000
Renaissance Medical Centre	5.38%	09/01/15	18,871,000	19,078,000
Renaissance Medical Centre	12.75%	09/01/15	1,243,000	1,245,000
Medical Portfolio 4	5.50%	06/01/19	6,633,000	6,771,000
Medical Portfolio 4	6.18%	06/01/19	1,695,000	1,727,000
Marietta Health Park	5.11%	11/01/15	7,200,000	7,200,000
			131,941,000	141,058,000
Variable Rate Debt:				
Senior Care Portfolio 1	4.75%(a)	03/31/10	24,800,000(b)	24,800,000(c)
1 and 4 Market Exchange	1.60%(a)	09/30/10	14,500,000(b)	14,500,000(c)
East Florida Senior Care Portfolio	1.65%(a)	10/01/10	29,568,000(b)	29,917,000(c)
Kokomo Medical Office Park	1.65%(a)	11/30/10	8,300,000(b)	8,300,000(c)
Chesterfield Rehabilitation Center	1.90%(a)	12/30/10	22,000,000(b)	22,000,000(c)
Park Place Office Park	1.80%(a)	12/31/10	10,943,000(b)	10,943,000(c)
Highlands Ranch Medical Plaza	1.80%(a)	12/31/10	8,853,000(b)	8,853,000(c)
Medical Portfolio 1	1.93%(a)	02/28/11	20,607,000(b)	21,340,000(c)
Fort Road Medical Building	1.90%(a)	03/06/11	5,800,000(b)	5,800,000(c)
Medical Portfolio 3	2.50%(a)	06/26/11	58,000,000(b)	58,000,000(c)
SouthCrest Medical Plaza	2.45%(a)	06/30/11	12,870,000(b)	12,870,000(c)
Wachovia Pool Loans(d)	4.65%(a)	06/30/11	49,969,000(b)	50,322,000(c)
Cypress Station Medical Office Building	2.00%(a)	09/01/11	7,163,000(b)	7,235,000(c)

Medical Portfolio 4	2.40%(a)	09/24/11	21,400,000(b)	21,400,000(c)
Decatur Medical Plaza	2.25%(a)	09/26/11	7,900,000(b)	7,900,000(c)
Mountain Empire Portfolio	2.40%(a)	09/28/11	19,000,000(b)	17,304,000(c)
			321,673,000	321,484,000
Total fixed and variable debt			453,614,000	462,542,000
Less: discount			(1,573,000)	(1,780,000)
Mortgage loans payable, net			$ 452,041,000	$ 460,762,000

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(a) Represents the interest rate in effect as of September 30, 2009.

(b) As of September 30, 2009, we had $321,673,000 in variable rate mortgage loans with effective interest rates ranging from 1.60% to 4.75% per annum and a weighted average effective interest rate of 2.70% per annum. However, as of September 30, 2009, we had $321,673,000 in fixed rate interest rate swaps, ranging from 4.51% to 6.02%, on our variable rate mortgage loans payable, thereby effectively fixing our interest rate on those mortgage loans payable. See Note 8, Derivative Financial Instruments, to our accompanying condensed consolidated financial statements.

(c) As of December 31, 2008, we had $321,484,000 in variable rate mortgage loans with effective interest rates ranging from 1.90% to 4.75% per annum and a weighted average effective interest rate of 3.33% per annum. However, as of December 31, 2008, we had $321,484,000 in fixed rate interest rate swaps, ranging from 4.51% to 6.02%, on our variable rate mortgage loans payable, thereby effectively fixing our interest rate on those mortgage loans payable. See Note 8, Derivative Financial Instruments, to our accompanying condensed consolidated financial statements.

(d) We have a mortgage loan in the principal amount of $49,969,000 secured by Epler Parke Building B, 5995 Plaza Drive, Nutfield Professional Center, Medical Portfolio 2 and Academy Medical Center.

The principal payments due on our mortgage loans payable as of September 30, 2009 for the three months ending December 31, 2009 and for each of the next four years ending December 31 and thereafter, is as follows:

Year		Amount
2009	$	1,020,000
2010	$	122,731,000
2011	$	201,690,000
2012	$	2,056,000
2013	$	15,521,000
Thereafter	$	110,596,000

The table above does not reflect all available extension options. Of the amounts maturing in 2010, $64,596,000 have two one-year extensions available and $53,940,000 have a one-year extension available. Of the amounts maturing in 2011, $179,985,000 have two one-year extensions available.

8. Derivative Financial Instruments

We utilize derivatives such as fixed rate interest rate swaps to manage our exposure to interest rate movements. Consistent with ASC 815, we record derivative financial instruments on our accompanying condensed consolidated balance sheets as either an asset or a liability measured at fair value. ASC 815 permits special hedge accounting if certain requirements are met. Hedge accounting allows for gains and losses on derivatives designated as hedges to be offset by the change in value of the hedged item(s) or to be deferred in other comprehensive income. As of September 30, 2009 and December 31, 2008, no derivatives were designated as fair value hedges or cash flow hedges.

Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements, but do not meet the strict hedge accounting requirements of ASC 815. Changes in the fair value of derivative financial instruments are recorded in gain (loss) on derivative financial instruments in our accompanying condensed consolidated statements of operations.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table lists derivative financial instruments held by us as of September 30, 2009:

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$ 14,500,000	LIBOR	5.97%	$ (639,000)	Swap	09/28/10
$ 8,300,000	LIBOR	5.86%	$ (396,000)	Swap	11/30/10
$ 8,853,000	LIBOR	5.52%	$ (387,000)	Swap	12/31/10
$ 10,943,000	LIBOR	5.52%	$ (479,000)	Swap	12/31/10
$ 22,000,000	LIBOR	5.59%	$ (906,000)	Swap	12/30/10
$ 29,568,000	LIBOR	6.02%	$ (1,270,000)	Swap	10/01/10
$ 20,607,000	LIBOR	5.23%	$ (807,000)	Swap	01/31/11
$ 5,800,000	LIBOR	4.70%	$ (197,000)	Swap	03/06/11
$ 7,163,000	LIBOR	4.51%	$ (116,000)	Swap	05/03/10
$ 24,800,000	LIBOR	4.85%	$ (354,000)	Swap	03/31/10
$ 49,969,000	LIBOR	5.60%	$ (1,279,000)	Swap	06/30/10
$ 12,870,000	LIBOR	5.65%	$ (327,000)	Swap	06/30/10
$ 58,000,000	LIBOR	5.59%	$ (1,413,000)	Swap	06/26/10
$ 21,400,000	LIBOR	5.27%	$ (857,000)	Swap	09/23/11
$ 7,900,000	LIBOR	5.16%	$ (324,000)	Swap	09/26/11
$ 19,000,000	LIBOR	5.87%	$ (1,040,000)	Swap	09/28/13

The following table lists derivative financial instruments held by us as of December 31, 2008:

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$ 14,500,000	LIBOR	5.97%	$ (870,000)	Swap	09/28/10
$ 8,300,000	LIBOR	5.86%	$ (512,000)	Swap	11/30/10
$ 8,853,000	LIBOR	5.52%	$ (480,000)	Swap	12/31/10
$ 10,943,000	LIBOR	5.52%	$ (593,000)	Swap	12/31/10
$ 22,000,000	LIBOR	5.59%	$ (1,167,000)	Swap	12/30/10
$ 29,917,000	LIBOR	6.02%	$ (1,776,000)	Swap	10/01/10
$ 21,340,000	LIBOR	5.23%	$ (976,000)	Swap	01/31/11
$ 5,800,000	LIBOR	4.70%	$ (221,000)	Swap	03/06/11
$ 7,235,000	LIBOR	4.51%	$ (168,000)	Swap	05/03/10
$ 24,800,000	LIBOR	4.85%	$ (554,000)	Swap	03/31/10
$ 50,322,000	LIBOR	5.60%	$ (1,797,000)	Swap	06/30/10
$ 12,870,000	LIBOR	5.65%	$ (460,000)	Swap	06/30/10
$ 58,000,000	LIBOR	5.59%	$ (1,972,000)	Swap	06/26/10
$ 21,400,000	LIBOR	5.27%	$ (936,000)	Swap	09/23/11
$ 7,900,000	LIBOR	5.16%	$ (355,000)	Swap	09/26/11
$ 17,304,000	LIBOR	5.87%	$ (1,361,000)	Swap	09/28/13

As of September 30, 2009 and December 31, 2008, the fair value of our derivative financial instruments was as follows:

	Asset Derivatives				Liability Derivatives			
	September 30, 2009		December 31, 2008		September 30, 2009		December 31, 20	
es not designated as	Balance Sheet		Balance Sheet		Balance Sheet		Balance Sheet	
nstruments	Location	Fair Value	Location	Fair Value	Location	Fair Value	Location	Fair
te Swaps	Derivative Financial Instruments	$	Derivative Financial Instruments	$	Derivative Financial Instruments	$ 10,791,000	Derivative Financial Instruments	$ 14

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the three and nine months ended September 30, 2009 and 2008, our derivative financial instruments had the following effect on our condensed consolidated statements of operations:

Derivatives not designated as hedging instruments:	Location of Gain (Loss) Recognized	Amount of Gain (Loss) Recognized Three Months Ended September 30, 2009	Amount of Gain (Loss) Recognized Three Months Ended September 30, 2008	Amount of Gain (Loss) Recognized Nine Months Ended September 30, 2009	Amount of Gain (Loss) Recognized Nine Months Ended September 30, 2008
Interest Rate Swaps	Interest Expense	$ 66,000	$ (310,000)	$ 3,357,000	$ (414,000)

For the three months ended September 30, 2009 and 2008, we recorded a decrease in interest expense of $66,000 and an increase in interest expense of $310,000, respectively, related to the change in the fair value of our derivative financial instruments and for the nine months ended September 30, 2009 and 2008, we recorded a decrease in interest expense of $3,357,000 and a increase in interest expense of $414,000, respectively, related to the change in the fair value of our derivative financial instruments.

The Company has agreements with each of its derivative counterparties that contain a provision whereby if the Company defaults on certain of its unsecured indebtedness, then the Company could also be declared in default on its derivative obligations resulting in an acceleration of payment. In addition, the Company is exposed to credit risk in the event of non-performance by its derivative counterparties. The Company believes it mitigates its credit risk by entering into agreements with credit-worthy counterparties. The Company records counterparty credit risk valuation adjustments on its interest rate swap derivative asset in order to properly reflect the credit quality of the counterparty. In addition, the Company s fair value of interest rate swap derivative liabilities is adjusted to reflect the impact of the Company s credit quality. As of September 30, 2009 and December 31, 2008, there have been no termination events or events of default related to the interest rate swaps.

9. Line of Credit

We have a loan agreement with LaSalle Bank National Association, or LaSalle, and KeyBank National Association, or KeyBank, in which we obtained our secured revolving line of credit with LaSalle and KeyBank in an aggregate maximum principal amount up to $80,000,000, or the Loan Agreement. The actual amount of credit available under the Loan Agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the Loan Agreement. As of September 30, 2009 and December 31, 2008, the amount of credit available under the Loan Agreement is $78,172,000. The maximum principal amount of the Loan Agreement may be increased up to $120,000,000 subject to the terms of the Loan Agreement. Also, additional financial institutions may become lenders under the Loan Agreement. The initial maturity date of the Loan Agreement is September 10, 2010 which may be extended by one 12-month period subject to satisfaction of certain conditions, including the payment of an extension fee equal to 0.20% of the principal balance of loans then outstanding.

At our option, loans under the Loan Agreement bear interest at per annum rates equal to (a) the London Interbank Offered Rate, or LIBOR, plus a margin of 1.50%, (b) the greater of LaSalle s prime rate or the Federal Funds Rate (as defined in the Loan Agreement) plus 0.50%, or (c) a combination of these rates.

The Loan Agreement contains various affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incurrence of debt by us and our subsidiaries that own properties that serve as collateral for the Loan Agreement, limitations on the nature of our business and limitations on our subsidiaries that own properties that serve as collateral for the Loan Agreement. The Loan Agreement also imposes the following financial covenants on us and our operating partnership, as applicable: (i) a minimum ratio of operating cash flow to interest expense, (ii) a minimum ratio of operating cash flow to fixed charges, (iii) a maximum ratio of liabilities to asset value, (iv) a maximum distribution covenant and (v) a minimum net worth covenant, all of which are defined in the Loan Agreement. In addition, the Loan Agreement includes events of default that are customary for facilities and transactions of this type. As of December 31, 2008 and September 30, 2009, we were in compliance with all such covenants and requirements.

As of September 30, 2009 and December 31, 2008, we did not have any borrowings under the Loan Agreement.

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(1) In March 2014, the Board of Directors of the Company authorized a share repurchase program that provides for the repurchase of up to $2.0 million of outstanding common stock (the “2014 Repurchase Program”). The 2014 Repurchase Program expired on February 29, 2016, once the repurchased amount reached $2.0 million. In March 2016, the Board of Directors of the Company authorized a second share repurchase program that provides for the repurchase of up to $2.0 million of outstanding common stock (the “2016 Repurchase Program”). The 2016 Repurchase Program expired on November 14, 2016, once the repurchased amount reached $2.0 million. Under both share repurchase programs, any repurchased shares were constructively retired.

There have been no sales of unregistered securities by the Company within the past year. As of the last fiscal year end, the Company had not authorized any securities for issuance under any equity plans.

Dividend Policy

No dividends have been paid since the Distribution. The Company does not have a regular dividend policy and whether or not to pay dividends will be determined each year by our board of directors. The payment of dividends will also be subject to the terms and covenants contained in the Company’s revolving credit facility and term loan.

Stockholder Return Performance Graph

Set forth below is a graph comparing the cumulative total stockholder return on the Company's common stock against the cumulative total return of the Standard & Poor's 500 Stock Index and a peer group index (the "Peer Group Index") for the period commencing February 25, 2013 to December 31, 2016. Index data was furnished by Standard & Poor's Capital IQ. The graph assumes that $100 was invested on February 25, 2013 in each of our common stock, the S&P 500 Index and the Peer Group Index and that all dividends were reinvested.

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	Base Period	INDEXED RETURNS			
	Ending	Period Ending			
Company / Index	2/25/2013	12/31/13	12/31/14	12/31/15	12/31/2016
Crimson Wine Group, Ltd	100	121.76	130.85	121.21	129.06
S&P 500 Index	100	126.48	143.79	145.78	163.22
Peer Group	100	97.40	99.37	143.90	186.35

The Peer Group Index is weighted according to the respective issuer's stock market capitalization and is comprised of the following companies: Treasury Wine Estates; Truett Hurst, Inc. (included as of 6/20/2013 when it began trading); Vina Concha y Toro; and Willamette Valley Vineyards, Inc.

The stock price performance included in this graph is not necessarily indicative of future stock price performance. The Company neither makes nor endorses any predictions as to future stock performance.

Item 6. Selected Financial Data.

The following selected financial data have been summarized from the Company's consolidated financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in Item 7 of this Report.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
SELECTED INCOME STATEMENT DATA	(In thousands, except per share amounts)				
Revenues	$ 64,621	$ 60,977	$ 58,114	$ 56,472	$ 48,774
Gross Profit	32,968	32,531	30,944	26,787	24,090

Income from operations, inclusive of net (gain)/loss on the disposal of property and equipment (a)	6,239	7,850	9,021	5,359	5,103
Net income	3,278	5,126	5,000	7,108	211
Earnings per share (b)	0.14	0.21	0.20	0.29	0.01

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	At December 31,				
	2016	2015	2014	2013	2012
SELECTED BALANCE SHEET DATA	(In thousands, except per share amounts)				
Current Assets (c)	$ 102,195	$ 107,364	$ 85,256	$ 74,231	$ 54,138
Property and equipment	123,261	111,635	108,707	109,036	108,986
Goodwill, intangible assets and other non-current assets	16,041	16,947	18,353	19,873	21,079
Total assets (c)	241,497	235,946	212,316	203,140	184,203
Due to Leucadia and its affiliates	-	-	-	-	152,183
Long-term debt, including current maturities, net of unamortized loan fees	15,282	15,915	-	-	-
Equity	207,565	206,860	203,120	198,129	25,833
Book value per share (b)	8.65	8.51	8.30	8.10	1.06

(a) Net (gain)/loss on the disposal of property and equipment was as follows: $0.2 million in 2016, $(0.1) million in 2015, $(1.6) million in 2014, $(0.6) million in 2013 and $0.3 million in 2012. Net (gain)/loss on the disposal of property and equipment previously reported in the years ended December 31, 2013 and 2012 was reclassified as a component of income from operations to conform to current presentation.

(b) For the year ended December 31, 2016 and 2015, basic and fully diluted weighted-average shares outstanding was 24,123,779 and 24,433,684, respectively, and as of December 31, 2016 and 2015 there were 23,997,385 and 24,306,556 common shares outstanding, respectively. For all other periods presented, basic and fully diluted weighted-average shares outstanding for each period and shares outstanding as of each year-end was 24,458,368. As appropriate, amounts presented in this Report give retroactive effect to the Distribution for all periods presented, including net earnings per share, book value per share and shares outstanding. Both before and after the Distribution, there were no dilutive or complex equity instruments or securities outstanding at any time.

(c) In 2015, the company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-17, Income Taxes (Topic 740), which requires an entity to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating into current and noncurrent amounts. The Company applied the new guidance retrospectively to all prior periods presented in the financial statements and Selected Financial Data presented in this Item 6. As a result of the adoption, current deferred income tax assets of $3.2 million and $3.0 million were reclassified as a reduction of non-current deferred tax liabilities in our December 31, 2014 and 2013, respectively, consolidated balance sheets.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The purpose of this section is to discuss and analyze the Company's consolidated financial condition, liquidity and capital resources and results of operations. This analysis should be read in conjunction with the consolidated financial statements, related footnote disclosures and "Cautionary Statement for Forward-Looking Information," which appear elsewhere in this Report.

Overview of Business

The Company generates revenues from sales of wine to wholesalers and direct to consumers, sales of bulk wine and grapes, special event fees, tasting fees and retail sales.

Our wines are primarily sold to wholesale distributors, who then sell to retailers and restaurants. As permitted under federal and local regulations, we have also been placing increased emphasis on generating revenue from direct sales to consumers which occur through wine clubs, at the wineries' tasting rooms and through the internet and direct outreach to customers. Direct sales to consumers are more profitable for the Company as we are able to sell our products at a price closer to retail prices rather than the wholesale price sold to distributors. From time to time, we may sell grapes or bulk wine, because the wine does not meet the quality standards for the Company's products, market conditions have changed resulting in reduced demand for certain products, or because the Company may have produced more of a particular varietal than it can use. When these sales occur, they may result in a loss.

Cost of sales includes grape and bulk wine costs, whether purchased or produced from the Company's controlled vineyards, crush costs, winemaking and processing costs, bottling, packaging, warehousing and shipping and handling costs. For the Company controlled vineyard produced grapes, grape costs include annual farming labor costs, harvest costs and depreciation of vineyard assets. For wines that age longer than one year, winemaking and processing costs continue to be incurred and capitalized to the cost of wine, which can range from 3 to 36 months. Reductions to the carrying value of inventories are also included in costs of sales.

At December 31, 2016, wine inventory includes approximately 0.9 million cases of bottled and bulk wine in various stages of the aging process. Cased wine is expected to be sold over the next 12 to 36 months and generally before the release date of the next vintage.

Seasonality

As discussed in Item 1 of this Form 10-K, the wine industry in general historically experiences seasonal fluctuations in revenues and net income. The Company typically has lower sales and net income during the first quarter and higher sales and net income during the fourth quarter due to seasonal holiday buying as well as wine club shipment timing.

We anticipate similar trends in the future.

Critical Accounting Estimates

Crimson's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of these

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financial statements requires Crimson to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an on-going basis, Crimson evaluates all of these estimates and assumptions. The following areas have been identified as critical accounting estimates because they have the potential to have a significant impact on Crimson's financial statements, and because they are based on assumptions that are used in the accounting records to reflect, at a specific point in time, events whose ultimate outcome won't be known until a later date. Actual results could differ from these estimates.

Inventory—Inventories are stated at the lower of cost or market, with cost being determined on the first-in, first-out method. Costs associated with winemaking, and other costs associated with the manufacturing of products for resale, are recorded as inventory. In accordance with general practice within the wine industry, wine inventories are included in current assets, although a portion of such inventories may be aged for periods longer than one year. As required, Crimson reduces the carrying value of inventories that are obsolete or in excess of estimated usage to estimated net realizable value. Crimson's estimates of net realizable value are based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of sales. If future demand and/or pricing for Crimson's products are less than previously estimated, then the carrying value of the inventories may be required to be reduced, resulting in additional expense and reduced profitability. Inventory write-downs of $0.2 million, $0.3 million and $0.5 million were recorded during the years ended December 31, 2016, 2015 and 2014, respectively.

Vineyard Development Costs—Crimson capitalizes internal vineyard development costs when developing new vineyards or replacing or improving existing vineyards. These costs consist primarily of the costs of the vines and expenditures related to labor and materials to prepare the land and construct vine trellises. Amortization of such costs as annual crop costs is recorded on a straight-line basis over the estimated economic useful life of the vineyard, which can be up to 25 years. As circumstances warrant, Crimson re-evaluates the recoverability of capitalized costs, and will record impairment charges if required. Crimson has not recorded any significant impairment charges for its vineyards during the three year period ended December 31, 2016.

Review of Long-Lived Assets for Impairment—For intangible assets with definite lives, impairment testing is required if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and for goodwill, impairment testing is required at least annually or more frequently if events or circumstances indicate that these assets might be impaired. Crimson currently has no intangible assets with indefinite lives. Substantially all of Crimson's goodwill and other intangible assets result from the acquisition of Seghesio Family Vineyards in May 2011. Amortization of intangible assets is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 7 to 20 years. Crimson evaluates goodwill for impairment at the end of each year, and has concluded that goodwill is not impaired.

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Long-lived assets consist primarily of property and equipment and intangible assets with definite lives. Circumstances that might cause the Company to evaluate its

long-lived assets for impairment could include a significant decline in the prices the Company or the industry can charge for its products, which could be caused by general economic or other factors, changes in laws or regulations that make it difficult or more costly for the Company to distribute its products to its markets at prices which generate adequate returns, natural disasters, significant decrease in the demand for the Company's products or significant increases in the costs to manufacture the Company's products.

Recoverability of long-lived assets is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). This would typically be at the winery level which is described above.

The Company did not recognize any impairment charges associated with long-lived assets during the three year period ended December 31, 2016.

Depletion Allowances—Crimson pays depletion allowances to its distributors based on their sales to their customers. These allowances are estimated on a monthly basis by Crimson, and allowances are accrued as a reduction of revenues. Subsequently, distributors will bill Crimson for actual depletions, which may be different from Crimson's estimate. Any such differences are recognized in revenues when the bill is received. Crimson has historically been able to estimate depletion allowances without any material differences between actual and estimated expense.

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Results of Operations

Comparison of Years Ended December 31, 2016 and 2015

Net Sales

	Year Ended December 31,			
(in thousands, except percentages)	2016	2015	Increase	% change
Wholesale	$ 36,946	$ 36,253	$ 693	2%
Direct to consumer	23,099	21,310	1,789	8%
Other	4,576	3,414	1,162	34%
Total net sales	$ 64,621	$ 60,977	$ 3,644	6%

Wholesale net sales increased $0.7 million, or 2%, in 2016 as compared to 2015. The increase in the current year was driven by export net revenue growth of 16% and decreased price support. These increases were partially offset by a temporary shift in product mix to lower priced products during the current year, including the close out of certain lower-priced wines.

Direct to consumer net sales increased $1.8 million, or 8%, in 2016 as compared to 2015. The increase in the current year was primarily driven by higher average spend per visitor in our tasting rooms and price increases in all direct to consumer channels, partially offset by a shift in product mix. In the current year, tasting room net sales increased $0.7 million, wine club net sales increased $0.6 million and e-commerce and special events combined net sales increased $0.5 million.

Other net sales include bulk wine and grape sales, event fees and retail sales which had an overall increase of $1.2 million, or 34%, in 2016 as compared to 2015. The increase in the current year was driven by a higher volume of higher priced bulk wine sales.

Gross Profit

(in thousands, except percentages)	Year Ended December 31, 2016	2015	Increase (Decrease)	% change
Wholesale	$ 16,683	$ 17,326	$ (643)	-4%
Wholesale gross margin percentage	45%	48%		
Direct to consumer	16,270	15,246	1,024	7%
Direct to consumer gross margin percentage	70%	72%		
Other	15	(41)	56	137%
Total gross profit	$ 32,968	$ 32,531	$ 437	1.3%

Wholesale gross profit decreased $0.6 million, or 4%, in 2016 as compared to 2015. Gross margin percentage, which is defined as gross profit as a percentage of net sales, decreased approximately 264 basis points in the current year driven primarily by a shift in product mix to lower margin products, including the close out of lower priced and lower margin wines, and expected lower margins on the inventory purchased in the Seven Hills Winery acquisition due to fair value acquisition related accounting.

Direct to consumer gross profit increased $1.0 million, or 7%, in 2016 as compared to 2015. Gross margin percentage decreased approximately 111 basis points in the current year, which was driven primarily by higher costs related to the transition to new vintage products and lower margins on the inventory purchased in the Seven Hills Winery acquisition due to fair value acquisition related accounting, partially offset by price increases in all direct to consumer channels.

Other gross profit includes bulk wine and grape sales, event fees, non-wine retail sales and inventory write-downs which reflected an overall increase of $0.1 million or 137%, in 2016 as compared to 2015. The overall increase was primarily driven by improved margins on a higher volume of bulk wine and grape sales.

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Operating Expenses

(in thousands, except percentages)	Year Ended December 31, 2016	2015	Increase	% change
Sales and marketing	$ 15,834	$ 14,197	$ 1,637	12%
General and administrative	10,653	10,543	110	1%
Total operating expenses	$ 26,487	$ 24,740	$ 1,747	7%

Sales and marketing expenses increased $1.6 million, or 12%, in 2016 as compared to 2015. The increase was primarily to support new initiatives, including the addition of the Estates Wine Room in December 2015 and the acquisition of Seven Hills Winery in January 2016, which resulted in increased compensation costs, professional fees, travel related costs, office related expenses and other one-time acquisition related costs. These increases were partially offset by a decrease in event related costs and public relations special programs.

General and administrative expenses increased $0.1 million, or 1%, in 2016 as compared to 2015. The increase was primarily driven by operating expenses and one-time acquisition related professional fees associated with Seven Hills Winery, depreciation associated with the Estates Wine Room and related leasehold improvements, depreciation and other costs associated with technology enhancements to support planned business growth and compensation. These increases were partially offset by a decrease in office related expenses and several other general and administrative items.

Other Income (Expense)

(in thousands, except percentages)	Year Ended December 31, 2016	2015	Increase (Decrease)	% change
Interest expense	$ (840)	$ (252)	$ 588	233%
Other income (expense), net	498	334	164	49%
Total	$ (342)	$ 82	$ (424)	-517%

Interest expense increased $0.6 million, or 233%, in 2016 as compared to 2015. The increase relates to interest expense incurred for the entire year in 2016 on the term loan entered into with American AG Credit during November 2015.

Other income increased $0.2 million, or 49%, in 2016 as compared to 2015. The increase primarily related to higher interest income on our short-term investments.

Income Tax Provision

Our income tax provision decreased $0.2 million, or 7%, in 2016 as compared to 2015. The effective tax rate was 44.4% for 2016 as compared to 35.4% for 2015. The difference between the consolidated effective income tax rate and the U.S. federal statutory rate in 2016 was primarily attributable to state taxes, including an adjustment to a state deferred tax asset related to the expiration of net operating loss carryforwards. The difference between the consolidated effective income tax rate and the U.S. federal statutory rate in 2015 was primarily attributable to state taxes, partially offset by permanent items which primarily consisted of adjustments to prior period deferred tax liabilities.

Comparison of Years Ended December 31, 2015 and 2014

Net Sales

	Year Ended December 31,			
(in thousands, except percentages)	2015	2014	Increase (Decrease)	% change
Wholesale	$ 36,253	$ 33,811	$ 2,442	7%
Direct to consumer	21,310	20,343	967	5%
Other	3,414	3,960	(546)	-14%
Total net sales	$ 60,977	$ 58,114	$ 2,863	5%

Wholesale net sales increased $2.4 million, or 7%, in 2015 as compared to 2014. The increase in 2015 was driven by domestic volume growth of 10% and increased pricing, partially offset by a slight decline in export volume of 2% and increased price support.

Direct to consumer net sales increased $1.0 million, or 5%, in 2015 as compared to 2014. The increase was primarily driven by price increases and shifts towards higher priced retail channels. In 2015, wine club net sales increased $1.0 million and tasting room and e-commerce combined net sales increased $0.l million, partially offset by a decrease in special events net sales of $0.1 million.

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Other net sales include bulk wine and grape sales, event fees and retail sales which had an overall decrease of $0.5 million, or 14%, in 2015 as compared to 2014. The year over year decrease was primarily driven by a lower priced mix of grape and bulk wine sales.

Gross Profit

(in thousands, except percentages)	Year Ended December 31, 2015	2014	Increase (Decrease)	% change
Wholesale	$ 17,326	$ 16,564	$ 762	5%
Wholesale gross margin percentage	48%	49%		
Direct to consumer	15,246	14,277	969	7%
Direct to consumer gross margin percentage	72%	70%		
Other	(41)	103	(144)	-140%
Total gross profit	$ 32,531	$ 30,944	$ 1,587	5.1%

Wholesale gross profit increased $0.8 million, or 5%, in 2015 as compared to 2014. Gross margin percentage decreased approximately 120 basis points in 2015 driven primarily by shifts in product mix and increased price support.

Direct to consumer gross profit increased $1.0 million, or 7%, in 2015 as compared to 2014. Gross margin percentage increased approximately 136 basis points in 2015, which was driven by price increases, a shift towards higher priced products and channels and lower costs related to the transition to new vintage products that carry a lower average cost.

Other gross profit includes bulk wine and grape sales, event fees, non-wine retail sales and inventory write-downs which reflected an overall decrease of $0.1 million, or 140%, in 2015 as compared to 2014. The overall decrease was primarily related to losses on bulk wine sales due to increased volumes of gallons sold at reduced bulk pricing and lower margin on sales of grapes due to mix.

Operating Expenses

	Year Ended December 31,			
(in thousands, except percentages)	2015	2014	Increase	% change
Sales and marketing	$ 14,197	$ 13,227	$ 970	7%
General and administrative*	10,543	10,249	294	3%
Total operating expenses	$ 24,740	$ 23,476	$ 1,264	5%

*The year ended December 31, 2014 includes $9,000 of fees paid to Leucadia for administrative services.

Sales and marketing expenses increased $1.0 million, or 7%, in 2015 as compared to 2014. The increase was primarily driven by increased headcount, which resulted in higher compensation costs, increased promotional and marketing related expense and increased travel expenses to accommodate growth and a shift away from outside broker relationships. These increases were partially offset by an overall decrease in discounts and incentives and lower commission expense.

General and administrative expenses increased $0.3 million, or 3%, in 2015 as compared to 2014. The increase in 2015 was driven by increased salaries and related recruiting costs to manage growth, costs associated with a new corporate office and related depreciation of leasehold improvements and depreciation and other costs associated with technology enhancements to support planned business growth. These increases were partially offset by a $1.0 million decrease in severance related expense due to severance paid during 2014, $0.8 million of which was paid to the former Chief Executive Officer upon his resignation during the fourth quarter of 2014.

Other Income (Expense)

	Year Ended December 31,			
(in thousands, except percentages)	2015	2014	Increase	% change
Interest expense	$ (252)	$ (152)	$ 100	66%
Other income (expense), net	334	(8)	342	4275%
Total	$ 82	$ (160)	$ 242	151%

Interest expense increased $0.1 million, or 66%, in 2015 as compared to 2014. The increase relates to interest expense incurred on the term loan entered into with American AG Credit during November 2015.

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Other income was $0.3 million in 2015. The overall increase in other income relates to increased rental income and one-time income associated with a vineyard lease recognized in 2015.

Income Tax Provision

Our income tax provision decreased $1.1 million, or 27%, in 2015 as compared to 2014. The effective tax rate was 35.4% for 2015 as compared to 43.6% for 2014. The difference between the consolidated effective income tax rate and the U.S. federal statutory rate in 2015 was primarily attributable to state taxes, partially offset by permanent items which primarily consisted of adjustments to prior period deferred tax liabilities. The difference between the consolidated effective income tax rate and the U.S. federal statutory rate in 2014 was primarily attributable to state taxes and prior period adjustments, partially offset by a release of a valuation allowance.

Liquidity and Capital Resources

General

The Company's principal sources of liquidity are its available cash, funds generated from operations and its revolving credit facility. The Company's primary cash needs are to fund working capital requirements and capital expenditures.

Credit Facilities

In March 2013, Crimson entered into a $60.0 million revolving credit facility with American AgCredit, FLCA, as agent for the lenders identified in the revolving credit facility, comprised of a revolving loan facility and a term revolving loan facility, which together is secured by substantially all of Crimson's assets. The revolving credit facility is for up to $10.0 million of availability in the aggregate for a five-year term, and the term revolving credit facility is for up to $50.0 million in the aggregate for a fifteen year term. All obligations of Crimson under the revolving credit facility are collateralized by certain real property, including vineyards and certain winery facilities of Crimson, accounts receivable, inventory and intangibles. In addition to unused line fees ranging from 0.25% to 0.375%, rates for the borrowings are priced based on a performance grid tied to certain financial ratios and the London Interbank Offered Rate. Effective October 1, 2015 the unused line fees range from 0.15% to 0.25%. The revolving credit facility can be used to fund acquisitions, capital projects and other general corporate purposes. Covenants include the maintenance of specified debt and equity ratios, limitations on the incurrence of additional indebtedness, limitations on dividends and other distributions to shareholders and restrictions on certain mergers, consolidations and sales of assets. No amounts have been borrowed under the revolving credit facility to date.

On November 10, 2015, Pine Ridge Winery, LLC (“Borrower”), a wholly-owned subsidiary of Crimson entered into a senior secured term loan agreement (the “term loan”) with American AgCredit, FLCA (“Lender”) for an aggregate principal amount of $16.0 million. Amounts outstanding under the term loan bear a fixed interest rate of 5.24% per annum.

The term loan will mature on October 1, 2040 (the “Maturity Date”). On the first day of each January, April, July and October, commencing January 1, 2016, Borrower is required to make a principal payment in the amount of One Hundred Sixty Thousand Dollars ($160,000) and an interest payment equal to the amount of all interest accrued through the previous day. A final payment of all unpaid principal, interest and any other charges with respect to the term loan shall be due and payable on the Maturity Date.

Borrower’s obligations under the term loan are guaranteed by the Company. All obligations of Borrower under the term loan are collateralized by certain real property of the Company. Borrower’s covenants include the maintenance of a specified debt service coverage ratio and certain customary affirmative and negative covenants, including limitations on the incurrence of additional indebtedness; limitations on distributions to shareholders; and restrictions on certain investments, sale of assets and merging or consolidating with other persons.

The full $16.0 million was drawn at closing and the term loan can be used to fund acquisitions, capital projects and other general corporate purposes. As of December 31, 2016, $15.3 million in principal was outstanding, net of unamortized loan fees of $0.1 million.

Consolidated Statements of Cash Flows

The following table summarizes our cash flow activities for the years ended December 31, 2016, 2015 and 2014 (in thousands):

Cash provided by (used in):	2016	2015	2014
Operating activities	$ 10,173	$ 8,713	$ 8,928
Investing activities	(20,446)	(18,190)	(8,923)
Financing activities	(3,265)	14,536	-

Cash provided by operating activities

Net cash provided by operating activities was $10.2 million in 2016, consisting primarily of $3.3 million of net income adjusted for non-cash items such as $8.2 million of depreciation and amortization, $2.8 million of deferred income tax provision and $4.6 million of net cash outflow related to changes in operating assets and liabilities. The change in operating assets and liabilities was primarily due to an increase in inventory, excluding inventory acquired in the Seven Hills Winery acquisition, partially offset by an increase in accounts payable and expense accruals and a decrease in accounts receivable.

Net cash provided by operating activities was $8.7 million in 2015, consisting primarily of $5.1 million of net income adjusted for non-cash items such as $7.4 million of depreciation and amortization, $2.6 million of deferred income tax provision and $6.7 million of net cash outflow related to changes in operating assets and liabilities. The change in operating assets and liabilities was primarily due to an increase in inventory, primarily due to strategic growth initiatives.

Net cash provided by operating activities was $8.9 million in 2014, consisting primarily of $5.0 million of net income adjusted for non-cash items such as $7.1 million of depreciation and amortization, $3.8 million of deferred income tax provision, $1.6 million of net gain related to disposals of property and equipment and $5.8 million of net cash outflow related to changes in operating assets and liabilities. The change in operating assets and liabilities was primarily due to an increase in inventory, primarily due to strategic growth initiatives and increased grape purchases.

Cash used in investing activities

Net cash used in investing activities was $20.4 million in 2016, consisting primarily of capital expenditures of $14.9 million and $7.3 million of cash paid in the acquisition of Seven Hills Winery, partially offset by net redemptions of available for sale investments of $1.8 million. Capital expenditures of $14.9 million includes $5.3 million in strategic land and vineyard acquisitions, $2.9 million of costs related to the buildout of the recently announced winemaking facility in West Richland, Washington (the "Washington Winemaking Facility") and other planned purchases associated with ongoing business activities. We expect to use our available cash and cash flows generated from operating activities to fund capital expenditures.

Net cash used in investing activities was $18.2 million in 2015, consisting primarily of net purchases of available for sale investments of $9.8 million and capital expenditures of $8.6 million. Capital expenditures reflect investments in infrastructure and leasehold improvement projects, including expansion of the fermentation capacity at Seghesio Family Vineyards and technological enhancements related to growth.

Net cash used in investing activities was $8.9 million in 2014, consisting primarily of capital expenditures of $7.7 million and net purchases of available for sale investments of $5.3 million, partially offset by proceeds from disposals of property and equipment of $4.0 million. Proceeds from disposals of property and equipment in 2014 included $3.9 million received from the sale of a non-strategic parcel of land.

Cash used in or provided by financing activities

Net cash used in financing activities in 2016 was $3.3 million, which reflects the repurchase of shares of our common stock at a repurchase price totaling $2.6 million and principal payments on our term loan of $0.6 million.

Net cash provided by financing activities in 2015 was $14.5 million, which reflects gross proceeds of $16.0 million from the issuance of the term loan in 2015 partially offset by the repurchase of shares of our common stock at a repurchase price of $1.4 million and payment of loan fees of $0.1 million related to the issuance of the term loan.

Share Repurchases

In March 2014, the Board of Directors of Crimson authorized a share repurchase program (the "2014 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the share 2014 Repurchase Program, any

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repurchased shares are constructively retired. During the year ended December 31, 2015, the Company repurchased 151,812 shares under the 2014 Repurchase Program which were constructively retired at an original repurchase cost of $1.4 million. During the year ended December 31, 2016, the Company repurchased 76,710 shares under the 2014 Repurchase Program which were constructively retired at an original repurchase cost of $0.6 million. On February 29, 2016, the 2014 Repurchase Program was completed (See Item 5 in this Report).

In March 2016, the Board of Directors of the Company authorized a second share repurchase program (the "2016 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2016 Repurchase Program, any repurchased shares are constructively retired. During the year ended December 31, 2016, the Company repurchased 232,461 shares under the 2016 Repurchase Program which were constructively retired at an original repurchase cost of $2.0 million. On November 14, 2016, the 2016 Repurchase Program was completed (See Item 5 in this Report).

In November 2016, the Board of Directors of the Company authorized a third share repurchase program (the "2017 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2017 Repurchase Program, any repurchased shares are constructively retired. No shares were repurchased under the 2017 Repurchase Program during the year ended December 31, 2016.

Contractual Obligations and Commitments

The following is a summary of our contractual obligations and commitments as of December 31, 2016 (in thousands):

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Grape purchase contracts	$ 23,732	$ 9,203	$ 9,427	$ 2,873	$ 2,229
Operating leases	1,015	293	588	133	1
Total contractual cash obligations	$ 24,747	$ 9,496	$ 10,015	$ 3,006	$ 2,230

Off-Balance Sheet Financing Arrangements

None.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

Crimson does not currently have any exposure to financial market risk. Sales to international customers are denominated in U.S. dollars; therefore, Crimson is not exposed to market risk related to changes in foreign currency exchange rates. As discussed above under Liquidity and Capital Resources, Crimson has a revolving credit facility and a term loan. The revolving credit facility had no outstanding balance as of December 31, 2016, and has interest at floating rates on borrowings. The term loan had $15.4 million outstanding at December 31, 2016, and is a fixed-rate debt, and therefore is not subject to fluctuations in market interest rates.

Item 8. Financial Statements and Supplementary Data.

Financial Statements and supplementary data required by this Item 8 are set forth at the pages indicated in Item 15(a) below.

Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Conclusion Regarding Effectiveness of Disclosure Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of December 31, 2016. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

Management’s Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for

external purposes in accordance with accounting

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principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of internal control 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 internal control policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our CEO and CFO, 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 this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2016. For so long as we qualify as an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended December 31, 2016, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

As of March 15, 2017, the directors and executive officers of the Company, their ages, the positions with the Company held by each of them, the periods during which they have served in such positions and a summary of their recent business experience is set forth below. Each of the biographies of the current directors listed below also contains information regarding such person’s service as a director, business experience, director positions with other public companies held currently or at any time during the past five years, and the experience, qualifications, attributes and skills that the Board of Directors considered in selecting each of them to serve as a director of the Company.

Ian M. Cumming, age 76. Mr. Cumming has served as a director since March 1994 and Chairman of Crimson from April 2008 to June 2015. He has been a director of Skywest, Inc., a Utah-based regional air carrier, since June 1986, and a director of HomeFed Corporation ("HomeFed"), a California residential real estate development company, since May 1999. Mr. Cumming currently serves as a director of American Investment Company, a family-owned investment company with diversified holdings. Mr. Cumming previously served as a director of Leucadia until July 2013 and was Chairman of the Board until March 2013. He also previously served as a director of Jefferies Group, Inc. ("Jefferies"), a full service global investment bank and institutional securities firm that was acquired by Leucadia in March 2013. Mr. Cumming also previously served as a director of Fortescue Metals Group Ltd. ("Fortescue"), AmeriCredit Corp. and Mueller industries, Inc. ("Mueller"), the Chairman of the Board of The FINOVA Group Inc. ("Finova"), and a member of the Board of Managers of Premier Entertainment Biloxi, LLC. ("Premier "). Mr. Cumming has managerial and investing experience in a broad range of businesses through his more than 30 years as Chairman and Chief Executive Officer of Leucadia. He also has experience serving on the boards of directors and committees of both public and private entities.

Joseph S. Steinberg, age 73, was elected as a director in February 2013. Mr. Steinberg has been President of Leucadia National Corporation since January 1979, a director of Leucadia since December 1978 and Leucadia's Chairman of the Board since March 2013. Mr. Steinberg has been a director of HomeFed Corporation since August 1998 and Chairman of the Board of HomeFed since December 1999. Mr. Steinberg is also a director of Jefferies LLC. Mr. Steinberg had previously served as a director of Jordan Industries, Inc., White Mountains Insurance Group, Ltd., The Finova Group, Inc., Fortescue Metals Group Ltd. and Mueller Industries, Inc., and was a member of the Board of Managers of Premier Entertainment Biloxi LLC. Mr. Steinberg has managerial and investing experience in a broad range of businesses through his more than 30 years as President and a director of Leucadia. He also has experience serving on the boards and committees of both public and private companies.

John D. Cumming, age 49. Mr. Cumming was elected as Chairman of Crimson in June 2015 after serving as a director since February 2013. Mr. Cumming is the chairman, CEO, and president of POWDR Adventure Lifestyle Co.

(“POWDR”), which owns nine mountain resorts, four Woodward Youth experiences, event company Human Movement Inc., river rafting company Sun Country Tours, and Outside Television. In addition to leading POWDR, Mr. Cumming holds many positions in related fields, including chairman of Outside Television and director of American Investment Company. He is the former chairman of The Park City Community Foundation and former director of the United States Ski and Snowboard Association Foundation. Mr. Cumming has managerial and investing experience in a broad range of businesses through his service as a senior executive and director of POWDR, his involvement as a founding shareholder of Mountain Hardwear and his tenure on various boards of directors. Ian M. Cumming is the father of John D. Cumming.

Avraham M. Neikrug, age 47, was elected as a director in February 2013. Mr. Neikrug has been the Managing Partner of Goldenhill Ventures LLC, a private investment firm that specializes in buying and building businesses in partnership with management, since June 2011. Mr. Neikrug has served as Vice President in Goldenhill Ventures LLC since June 2011 and Spin Holdings LLC since December 1999. Mr. Neikrug has managerial and investing experience in a broad range of businesses through his founding and operating of JIR Inc., a company involved in the development of regional cable television throughout Russia, JIRP, a business-to-business internet service provider (ISP) based in Austria, and M&A Argentina, a private equity effort in Argentina. Avraham M. Neikrug’s father is a first cousin to Joseph S. Steinberg.

Douglas M. Carlson, age 60, was elected as a director in March 2013. Mr. Carlson was elected CEO and Chairman of Tommy's Superfoods, LLC in August 2015. Tommy's is in the frozen vegetables business and is quickly becoming a national brand in the US with 10 different and creative seasoned blends of vegetables. From October 2013 to July 2015, Mr. Carlson was the Executive Vice President and Chief Marketing Officer of NOOK Media LLC, a subsidiary of Barnes & Noble, Inc. From April 2010 to September 2013, Mr. Carlson was Managing Partner of Rancho Valencia Resort & Spa, a tennis resort that includes fractional real estate. Prior to that, Mr. Carlson was Executive Chairman and Managing Director of Zinio, LLC and VIV Publishing, a digital publishing, retail and distribution platform for magazines, since 2005. Mr. Carlson co-founded FIJI Water Company LLC, Inc. in 1996 and served as its Chief Executive Officer from 1996 to 2005. Prior to joining FIJI, Mr. Carlson served as the Senior Vice President and Chief Financial Officer for The Aspen Skiing Company, from 1989 to 1996. Mr. Carlson has managerial and investing experience both within and outside the hospitality industry, as well as having been a certified public accountant.

Craig D. Williams, age 66, was elected as a director in March 2013. Mr. Williams was the owner of Craig Williams Wine Company, a consulting business focused on winemaking and viticulture, from 2008 to 2015. From 1976 to 2008, Mr. Williams held a variety of

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winemaking roles at Joseph Phelps Vineyards, rising to Senior Vice President of Winegrowing, responsible for all viticulture and winemaking activities, from 1999 to 2008. Mr. Williams has managerial experience and experience in multiple aspects of the wine business. In January 2015, Mr. Williams joined Crimson Wine Group as the Chief Winegrower & Chief Operating Officer.

Francesca Schuler, age 49, was elected as a director on March 11, 2016. Ms. Schuler is currently the Chief Marketing Officer (CMO) at In-Shape Health Clubs. Prior to joining In-Shape, Ms. Schuler was the CMO of BevMo!. She joined BevMo! from Treasury Wine Estates Americas where she was CMO, managing a wine portfolio of over 50 brands. Prior to this, Ms. Schuler was the head of Marketing for Method Products, Inc., the VP of Global Brand Management at the Gap and a partner at Marakon Associates, a boutique management consulting firm, where she advised consumer and retail companies. Early in her career, she held several marketing and sales positions at the E&J Gallo Winery. Ms. Schuler has over 20 years of experience leading and managing multi-channel businesses and has focused on brand strategy, portfolio management, product development and innovation, e-commerce and digital strategy, CRM, and sales.

Patrick M. DeLong, age 52. Mr. DeLong has served as President and Chief Executive Officer of Crimson since November 2014 and served as Chief Financial & Operating Officer of Crimson from July 2007 through November 2014. Mr. DeLong served as the Senior Vice President & CFO of Icon Estates, which was a fine wine division of Constellation Brands, Inc., from 2004 to 2006. Mr. DeLong was at the Robert Mondavi Corporation in a variety of roles from 1998 to 2004, including Senior Vice President of Finance & Planning.

Shannon B. McLaren, age 40. Ms. McLaren has served as Chief Financial Officer of Crimson since April 2015. Ms. McLaren served as the Senior Corporate Controller of Wente Family Estates from 2011 to 2015. Ms. McLaren held positions in both Financial Planning and Analysis and Corporate Accounting at The Clorox Company from 2007 to 2011. Ms. McLaren was Senior Internal Auditor at Altera Corporation from 2006 to 2007. Ms. McLaren was at KPMG from 1999 to 2006 in a variety of roles, including Manager of Assurance.

Mike S. Cekay, age 45. Mr. Cekay has served as Senior Vice President of Global Sales of Crimson since May 2012. Mr. Cekay served as the Executive Vice President, Global Sales Manager of Don Sebastiani & Sons from 2009 to 2012. Mr. Cekay was Vice President of Sales at Future Brands LLC from 2007 to 2009. Mr. Cekay was Divisional Sales Vice President for Beam Wine Estates from 2005 to 2007.

Committees of the Board

The Board of Directors of the Company has a standing Audit Committee. It does not have a compensation or nominating committee. As our common stock is traded on the OTC Market, we are not subject to listing standards that would require us to have a compensation committee or that would require director nominees to be selected or recommended by a majority of independent directors or a nominating committee comprised solely of independent directors. The Board believes it is appropriate to have all directors involved in setting executive and director compensation and in the process of nominating directors, rather than delegate these responsibilities to a smaller group of directors. Under the listing standards of the NASDAQ Stock Market, Messrs. Ian Cumming, John Cumming, Steinberg, Carlson and Neikrug and Ms. Schuler are independent directors serving on the Board. The Company will continue to evaluate the need for a compensation committee and a nominating committee in the future.

Procedures for Recommending Nominees

A stockholder entitled to vote in the election of directors may nominate one or more persons for election as director at a meeting if written notice of that stockholder's intent to make the nomination has been given to us, with respect to an election to be held at an annual meeting of stockholders, no earlier than 150 days and no later than 120 days before the first anniversary of our proxy statement in connection with the last annual meeting, and, with respect to an election to be held at a special meeting of stockholders, no earlier than 150 days before such special meeting and no later than 120 days before such special meeting, or if the first public notice of such special meeting is less than 130 days prior to the date of such special meeting, the tenth day following the date on which public notice of the meeting is first given to stockholders. The notice shall provide such information as required under the Company's By-laws, including, without limitation, the name and address of the stockholder and his or her nominees, a representation that the stockholder is entitled to vote at the meeting and intends to nominate the person, a description of all arrangements or understandings between the stockholder and each nominee, other information as would be required to be included in a proxy statement soliciting proxies for the election of the stockholder's nominees, the consent of each nominee to serve as a director of the Company if so elected, information concerning the stockholder's direct and indirect ownership of securities of the Company, including with respect to any beneficial owner of securities of the Company held by the stockholder, and compensation received by or relationships between such stockholder with respect to the securities of the Company from any beneficial owner of such securities. We may require any proposed nominee to furnish other information as we may reasonably require to determine the eligibility of the proposed nominee to serve as a director of the Company.

Audit Committee

The Board of Directors has adopted a charter for the Audit Committee, which is available on our website, www.crimsonwinegroup.com. The Audit Committee consists of Mr. Carlson, who serves as the Chairman, and Mr. Neikrug. The Board of Directors has determined that Mr. Carlson is qualified as an audit committee financial expert within the meaning of regulations of the SEC and that each of Mr.

Carlson and Mr. Neikrug is independent applying the NASDAQ Stock Market's listing standards for independence and the SEC's independence requirements for audit committee members.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Based solely upon a review of the copies of such forms furnished to us and written representations from our executive officers, directors and greater than 10% beneficial stockholders, we believe that all persons subject to the reporting requirements of Section 16(a) filed the required reports on a timely basis.

Code of Business Practice

We have a Code of Business Practice, which is applicable to all of our directors, officers and employees, and includes a Code of Practice applicable to our principal executive officers and senior financial officers. Both the Code of Business Practice and the Code of Practice are available on our website. We intend to post amendments to or waivers from our Code of Practice on our website as required by applicable law.

Item 11. Executive Compensation.

Introduction

As previously stated, the Board does not have a standing compensation committee and, as a result, the Board of Directors in its entirety will perform such functions as would otherwise be performed by a compensation committee. The Company believes that given the Company's recent status as an independent public company, it is appropriate for all directors to be involved in the compensation process; however, the Board will continue to evaluate the desirability of forming a compensation committee in the future.

Stock Ownership Requirements

We do not have a formal stock ownership requirement, although three of our directors, Mr. Steinberg, Ian M. Cumming and John D. Cumming, respectively, beneficially own approximately 10.1%, 9.8% and 0.4% of our outstanding common stock as of March 3, 2017.

Accounting and Tax Matters

The Company does not currently provide share-based compensation to employees or directors. In the future, if share-based compensation is provided to employees or directors, the cost of such share-based compensation would be recognized in the Company's financial statements based on their fair values at the time of grant and would be recognized as an expense over the vesting period of any such award in accordance with GAAP.

Summary Compensation Table

The following table shows, for fiscal years 2016 and 2015, all of the compensation earned by, awarded to or paid to our principal executive officer and our two other highest paid executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus	All Other Compensation (2)	Total
Patrick M. DeLong,	2016	$ 345,000	$ 225,000	$ 23,268	$ 593,268
President and Chief Executive Officer	2015	$ 340,000	$ 200,000	$ 21,768	$ 561,768
Craig D. Williams,	2016	$ 230,000	$ 115,000	$ 17,268	$ 362,268
Chief Operating Officer and Chief Winegrower	2015	$ 225,000	$ 35,000	$ 8,790	$ 268,790
Mike S. Cekay,	2016	$ 285,000	$ 80,000	$ 21,768	$ 386,768
Senior Vice President of Sales	2015	$ 275,000	$ 75,000	$ 21,768	$ 371,768

(1) Base salary under employment agreements with subsequent increases at the Board of Director's sole discretion.
(2) Includes 401k contributions, health club reimbursements and car allowance paid by the Company.

Employment Agreements

Patrick DeLong. On June 27, 2007, we entered into an agreement with Mr. DeLong. The agreement continues until terminated by us or Mr. DeLong, or due to his death or disability which renders him unable to perform his duties under the agreement for 90 consecutive

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days in any 12-month period. Mr. DeLong is entitled to an annual bonus opportunity based on performance goals established by the Board of Directors and Mr. DeLong at the beginning of each calendar year. Mr. DeLong's target bonus was 40% of his annual base salary for the first full calendar year, 45% for the second full calendar year and 50% for the third full calendar year and subsequent calendar years. We will notify Mr. DeLong if the bonus target becomes different than 50% of his base salary. Notwithstanding the provisions of the agreement, the board of directors may make a determination as to bonus payable to Mr. DeLong at its discretion. Pursuant to the agreement, Mr. DeLong is also eligible to participate in and receive any stock option grants and to participate in any standard company benefits. Mr. DeLong is also eligible to share a percentage of our pre-tax income, subject to terms determined by us pursuant to any long-term incentive or deferred compensation program. Mr. DeLong is entitled to certain benefits if his employment is terminated or upon other events. See "Potential Payments on Termination or Change of Control" below.

Mike Cekay. On March 26, 2012, we entered into an agreement with Mr. Cekay. The agreement continues until terminated by us or Mr. Cekay at any time and for any reason or for no reason with or without notice. Mr. Cekay is eligible for an annual bonus in an amount to be determined by us in our discretion up to 30% bonus target of base salary plus an accelerator, based on sales contribution as compared to target, to be determined annually. The amount of any annual bonus will be based upon our performance and Mr. Cekay's performance, as determined by us, against goals mutually agreed upon between Mr. Cekay and us. Pursuant to the agreement, Mr. Cekay is also eligible to participate in a long term incentive plan, receive a car allowance benefit of $1,400 per month and participate in standard company benefits. Mr. Cekay is not entitled to any benefits if his employment is terminated or upon other events.

Craig D. Williams. On December 31, 2014, we entered into an agreement with Mr. Williams. The agreement continues until terminated by us or Mr. Williams at any time and for any reason or for no reason with or without notice. Mr. Williams is eligible for an annual bonus in an amount to be determined by us in our discretion. The amount of any annual bonus will be based upon our performance and Mr. Williams' performance, as determined by us, against goals mutually agreed upon between Mr. Williams and us. Mr. Williams is also eligible to participate in standard company benefits. Effective July 1, 2015, Mr. Williams became eligible to receive a car allowance benefit of $1,400 per month. Mr. Williams is not entitled to any benefits if his employment is terminated or upon other events.

Potential Payments on Termination or Change of Control

The information below describes and quantifies certain compensation that would become payable under each named executive officer's employment agreement if, as of December 31, 2016, their employment had been terminated (including termination in connection with a change in control). Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event.

Patrick DeLong. In the event Mr. DeLong's employment is terminated by us without cause, by him with good reason or by a successor (whether direct, indirect, by purchase, merger, consolidation or otherwise) before a change in control, he shall be entitled to continue to receive as severance, payment, in accordance with our current payroll practices, of his base salary in effect at the time of termination for 12 months.

Director Compensation

As approved in March 2013, our non-employee directors receive an annual retainer of $25,000 for serving on the Board of Directors and a per meeting fee of $2,500 for each Board or committee meeting attended in person. Mr. Carlson receives an additional $26,000 annually for serving as Chairman of the Audit Committee, and Mr. Neikrug receives an additional $17,000 annually for serving on the Audit Committee. Commencing January 1, 2015, Mr. Williams became an employee of the Company and ceased being eligible to receive separate compensation as a director. The Company reimburses directors for reasonable travel expenses incurred in attending board and committee meetings. The 2016 director compensation for our non-employee directors is set forth below.

Director Compensation Table

Name	Fees paid in cash	All Other Compensation	Total
Non-Employee Directors			
Ian M. Cumming	$ 35,000	$ -	$ 35,000
Joseph S. Steinberg	$ 35,000	$ -	$ 35,000
John D. Cumming	$ 35,000	$ -	$ 35,000
Francesca H. Schuler (1)	$ 23,911	$ -	$ 23,911
Non-Employee Directors - Audit Committee Members			
Avraham M. Neikrug	$ 52,000	$ -	$ 52,000
Douglas Carlson	$ 58,500	$ -	$ 58,500

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(1) Francesca H. Schuler's 2016 annual retainer was prorated as of her election date, March 11, 2016.

Compensation Policies and Risk Management

The Company does not have a formal compensation plan for any of its employees. Annually, the Board of Directors will consider making incentive compensation awards that are purely discretionary, taking into account the employee's individual performance as well as the Company's performance for the particular year. Accordingly, the Company believes that its compensation policies do not reward employees for imprudent risk taking.

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

Equity Compensation Plan Information

In connection with the Distribution, our Board of Directors adopted an equity compensation plan, which allows the Company to grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, and other stock-based awards, and performance-based compensation awards to its officers, employees, and non-employee directors. The equity compensation plan will be administered by our Board of Directors, which is authorized to select the officers, employees and non-employee directors to whom awards will be granted, and to determine the type and amount of such awards. The maximum number of shares available for issuance under the plan is 1 million. To the extent permitted by Section 162(m) of the Code, our Board of Directors is authorized to design any award so that the amounts or shares payable or distributed pursuant to such award will be treated as "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and related regulations. The equity compensation plan was filed as an Exhibit to the Company's Form 8-K, filed on February 1, 2013. This summary of the plan is qualified in its entirety by reference to the full text of the plan. As of the date of this report, no grants have been made under the plan.

Present Beneficial Ownership

Set forth below is certain information as of March 3, 2017, with respect to the beneficial ownership of common shares, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended, by (1) each person who, to our knowledge, is the beneficial owner of more than 5% of our outstanding common shares, which is our only class of voting securities, (2) each director, (3) each of the executive officers named in the Summary Compensation Table under "Executive Compensation," (4) charitable foundations established by our directors and (5)

all of our executive officers and directors as a group. The percentage ownership information under the column entitled "Percent of Class" is based on 23,997,385 shares of common stock outstanding as of March 3, 2017. Unless otherwise stated, the business address of each person listed is c/o Crimson Wine Group, 2700 Napa Valley Corporate Drive, Suite B, Napa, CA 94558.

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Name and Address of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership		Percent of Class
Named directors and executive officers			
Joseph S. Steinberg	2,417,088	(a)	10.1%
Ian M. Cumming	2,362,511	(b)	9.8%
John D. Cumming	103,280		0.4%
Douglas M. Carlson	5,000		*
Avraham M. Neikrug	4,030	(c)	*
Francesca Schuler	1,500		*
Patrick M. DeLong	10,500		*
Craig D. Williams	1,000		*
Shannon B. McLaren	100		*
Mike S. Cekay	-		-
All directors and executive officers as a group (10)	4,905,009		20.4%
5% or greater stockholder			
Cumming Foundation	18,321	(d)	*
John D. Cumming Family Foundation	9,166	(e)	*
Joseph S. and Diane H. Steinberg 1992 Charitable Trust	33,000	(f)	0.1%
Beck, Mack & Oliver LLC 360 Madison Avenue New York, NY 10014	3,150,838	(g)	13.1%
Mario J. Gabelli One Corporate Center Rye, New York 10580-1435	1,225,503	(h)	5.1%

* Less than 0.1%.

(a) Includes 13,920 (0.1%) shares of common stock beneficially owned by Mr. Steinberg's wife and daughter, 1,876,239 (7.8%) shares of common stock held by corporations that are wholly owned by Mr. Steinberg, or held by corporations that are wholly owned by family trusts as to which Mr. Steinberg has sole voting and dispositive control, or held by such trusts, and 233,970 (1.0%) shares of common stock held in a trust for the benefit of Mr. Steinberg's children as to which Mr. Steinberg may be deemed to be the beneficial owner.

(b) Includes 21,600 (0.1%) common shares beneficially owned by Mr. Cumming's wife, as to which Mr. Cumming may be deemed to be the beneficial owner.

(c) Includes 30 shares of common stock owned of record by Mr. Neikrug's minor son.

(d) Mr. Ian Cumming is a trustee and President of the Cumming Foundation, a private charitable foundation, and disclaims beneficial ownership of the shares of common stock held by the foundation.

(e) Mr. John D. Cumming is President and a director of the John D. Cumming Family Foundation, a private charitable foundation, and disclaims beneficial ownership of the shares of common stock held by the foundation.
(f) Mr. Steinberg and his wife are the trustees of the charitable trust. Mr. Steinberg and his wife disclaim beneficial ownership of the shares of common stock held by the charitable trust.
(g) Based on Schedule 13G filed by Beck, Mack & Oliver LLC with the SEC on January 31, 2017.
(h) Based on Schedule 13D filed by Mr. Gabelli with the SEC on March 3, 2016. All shares are held directly or indirectly in entities that Mr. Gabelli either controls or for which he acts as chief investment officer, including 345,000 shares (1.4%) owned by GAMCO Asset Management Inc., 370,503 shares (1.5%) owned by Gabelli Funds, LLC and 510,000 shares (2.1%) owned by Teton Advisors, Inc.

As of March 3, 2017, Cede & Co. held of record 19,754,991shares of our common stock (approximately 82.3% of our total common stock outstanding). Cede & Co. held such shares as a nominee for broker-dealer members of The Depository Trust Company, which conducts clearing and settlement operations for securities transactions involving its members.

As described herein, our common stock is subject to transfer restrictions that are designed to reduce the possibility that certain changes in ownership could result in limitations on the use of our tax attributes. Our certificate of incorporation contains provisions that generally

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restrict the ability of a person or entity from acquiring ownership (including through attribution under the tax law) of 5% or more of our common shares and the ability of persons or entities now owning 5% or more of our common shares from acquiring additional common shares. Stockholders (and prospective stockholders) are advised that, under the tax law rules incorporated in these provisions, the acquisition of even a single share of common stock may be proscribed under our certificate of incorporation, given (among other things) the tax law ownership attribution rules as well as the tax law rules applicable to acquisitions made in coordination with or in concert with others. The restriction will remain until the earliest of (a) December 31, 2022, (b) the repeal of Section 382 of the Internal Revenue Code (or any comparable successor provision) and (c) the beginning of our taxable year to which these tax attributes may no longer be carried forward. The restriction may be waived by our Board of Directors.

Stockholders are advised to carefully monitor their ownership of our common stock and consult their own legal advisors and/or us to determine whether their ownership of our common shares approaches the proscribed level.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Policies and Procedures with Respect to Transactions with Related Persons

The Board has adopted a policy for the review, approval and ratification of transactions that involve “related persons” and potential conflicts of interest (the “Related Person Transaction Policy”).

The Related Person Transaction Policy applies to each director and executive officer of the Company, any nominee for election as a director of the Company, any security holder who is known to own of record or beneficially more than five percent of any class of the Company’s voting securities, any immediate family member of any of the foregoing persons, and any corporation, firm, association or other entity in which one or more directors of the Company are directors or officers, or have a substantial financial interest (each a “Related Person”).

Under the Related Person Transaction Policy, a Related Person Transaction is defined as a transaction or arrangement involving a Related Person in which the Company is a participant or that would require disclosure in the Company’s filings in accordance with SEC rules.

Under the Related Person Transaction Policy, Related Persons must disclose to the Audit Committee any potential Related Person Transactions and must disclose all material facts with respect to such transaction. All Related Person Transactions will be reviewed by the Audit Committee and, in its discretion, approved or ratified. In determining

whether to approve or ratify a Related Person Transaction the Audit Committee will consider the relevant facts and circumstances of the Related Person Transaction, which may include factors such as the relationship of the Related Person with the Company, the materiality or significance of the transaction to the Company and the Related Person, the business purpose and reasonableness of the transaction, whether the transaction is comparable to a transaction that could be available to the Company on an arms-length basis, and the impact of the transaction on the Company's business and operations.

From time to time, our directors and officers may engage in purchases of our products at substantial discounts (but not below cost) as determined to be reasonable under the circumstances. Generally, we do not believe any such transactions to be material to the Company or the related person and do not believe that any such transactions would impair the independence of any director. The Board has considered these possible purchases under the Related Person Transaction Policy and has determined that no such purchase will require prior approval by the Audit Committee.

Director Independence

The Board of Directors has determined that Messrs. Ian Cumming, John Cumming, Steinberg, Neikrug and Carlson and Ms. Schuler are independent applying the NASDAQ Stock Market's listing standards for independence.

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Item 14. Principal Accounting Fees and Services.

Prior to formation of the Audit Committee, the Board of Directors adopted a policy for pre-approval by the Audit Committee of all audit and non-audit work performed by the Company's independent registered public accounting firm, Moss Adams LLP, and has pre-approved (i) certain general categories of work where no specific case-by-case approval is necessary ("general pre-approvals") and (ii) categories of work which require the specific pre-approval of the Audit Committee ("specific pre-approvals"). For additional services or services in an amount above the annual amount that has been pre-approved, additional authorization from the Audit Committee is required. The Audit Committee has delegated to the Chairman of the Audit Committee the ability to pre-approve all of these services in the absence of the full committee. Any pre-approval decisions made by the Chairman of the Audit Committee under this delegated authority will be reported to the full Audit Committee. All requests for services to be provided by Moss Adams LLP that do not require specific approval by the Audit Committee must be submitted to the Chief Financial Officer of the Company, who determines whether such services are in fact within the scope of those services that have received the general pre-approval of the Audit Committee. The Chief Financial Officer reports to the Audit Committee periodically, at a minimum quarterly.

Audit Fees

In accordance with the SEC's definitions and rules, Audit Fees are fees paid to Moss Adams LLP for professional services for the audit of the Company's consolidated financial statements included in the Company's Form 10-K, the review of financial statements included in the Company's Form 10-Qs, services that are normally provided in connection with statutory and regulatory filings or engagements, assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. Audit Related Fees include professional services for the audit of the Company's 401K plan, including compliance with regulatory matters, and consulting with respect to technical accounting and disclosure rules.

The following table sets forth the aggregate fees incurred by us for the following periods relating to our independent accounting firm, Moss Adams LLP:

Year Ended
December 31,

	2016	2015
Audit Fees (1)	$ 287,000	$ 296,100
Audit Related Fees	7,500	5,100
Total	$ 294,500	$ 301,200

(1) Audit fees for the years ended December 31, 2016 and 2015 included one-time fees of $19,000 and $45,000, respectively.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

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(a)(1) Financial Statements.

	Page Reference
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets at December 31, 2016 and 2015	F-2
Consolidated Income Statements for the years ended December 31, 2016, 2015 and 2014	F-3
Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	F-5
Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014	F-6
Notes to Consolidated Financial Statements	F-7

(a)(2) Financial Statement Schedules.

Schedules are omitted because they are not required or are not applicable or the required information is shown in the financial statements or notes thereto.

(a)(3)

See item 15(b) below for a complete list of Exhibits to this Report including Executive Compensation Plans and Arrangements.

(b) Exhibits.

We will furnish any exhibit upon request made to our Corporate Secretary, 2700 Napa Valley Corporate Drive, Suite B, Napa, CA 94558. We charge $0.50 per page to cover expenses of copying and mailing.

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by the Company, file number 1-10153,

unless
otherwise
indicated.

Exhibit No.	Description
2.1	Separation Agreement, dated February 1, 2013, between Crimson Wine Group, Ltd. and Leucadia National Corporation (filed as Exhibit 2.1 to the Company's Form 8-K, filed on February 25, 2013 (the "February 25, 2013 Form 8-K") (No. 000-54866)).*
2.2	Severance Agreement and Release of all Claims, dated November 4, 2014, between Crimson Wine Group, Ltd. and Erle Martin (filed as Exhibit 10.1 to the Company's Form 8-K, filed on November 6, 2014 (No. 000-54866)).*

3.1 Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the February 25, 2013 Form 8-K).*

3.2 Amended and Restated Bylaws (filed as Exhibit 3.2 to the February 25, 2013 Form 8-K).*

4.1 Form of Specimen Stock Certificate (filed as Exhibit 4.1 to Amendment No. 2 to the Company's Registration Statement on Form 10-12G).*

10.1 Employment Agreement between Leucadia Cellars & Estates, LLC and Patrick M. DeLong, dated June 19, 2007 (filed as Exhibit 10.1 to Amendment No. 1 to the Company's Registration Statement on Form 10-12G).* +

10.2 Employment Agreement between Crimson Wine Group, Ltd. and Mike S. Cekay, dated March 26, 2012 (filed as Exhibit 10.2 to Amendment No. 1 to the Company's Registration Statement on Form 10-12G).* +

10.3 Tax Matters Agreement dated February 1, 2013, between Crimson Wine Group, Ltd. and Leucadia National Corporation (filed as Exhibit 10.1 to the Company's Form 8-K filed on February 25, 2013).*

10.4 Administrative Services Agreement, dated February 1, 2013, between Crimson Wine Group, Ltd. and Leucadia National Corporation (filed as Exhibit 10.2 to the Company's Form 8-K filed on February 25, 2013).*

10.5 First Amendment to Administrative Services Agreement, dated August 1, 2013, between Crimson Wine Group, Ltd. and Leucadia National Corporation (filed as Exhibit 10.1 to the Company's Form 8-K filed on August 2, 2013).*

10.6 Crimson Wine Group, Ltd. 2013 Omnibus Incentive Plan (filed as Exhibit 10.3 to the Company's Form 8-K filed on February 25, 2013).* +

10.7 Credit Agreement dated as of March 22, 2013 among Crimson Wine Group, Ltd., Pine Ridge Winery, LLC, Chamisal Vineyards, LLC and Double Canyon Vineyards, LLC, and American AgCredit, FLCA, as Agent for the Lenders and for itself as a Lender. (filed as Exhibit 10.6 to the Company's Form 10-K filed on March 28, 2013).*

10.8 Loan Agreement, dated November 10, 2015 by and between Pine Ridge Winery, LLC and American AgCredit, FLCA (filed as Exhibit 10.1 to the Company's Form 8-K filed on November 17, 2015).*

10.9 Term Loan Promissory Note issued by Pine Ridge Winery, LLC, dated November 10, 2015 (filed as Exhibit 10.2 to the Company's Form 8-K filed on November 17, 2015).*

10.10 Guaranty, dated November 10, 2015, by and between Crimson Wine Group, Ltd. and American AgCredit, FLCA (filed as Exhibit 10.3 to the Company's Form 8-K filed on November 17, 2015).*

10.11 Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated November 10, 2015, from Pine Ridge Winery, LLC to Fidelity National Title Company for the benefit of American AgCredit, FLCA (filed as Exhibit 10.4 to the Company's Form 8-K filed on November 17, 2015).*

10.12 Asset Purchase Agreement, dated January 27, 2016, by and between Crimson Wine Group, Ltd. and Seven Hills Winery, LLC (filed as Exhibit 10.12 to the Company's Form 10-K filed on March 15, 2016).* ±

10.13 Offer Letter between Crimson Wine Group, Ltd. and Craig D. Williams, dated December 23, 2014 (filed as Exhibit 10.13 to the Company's Form 10-K filed on March 15, 2016).* +

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21.1 List of Subsidiaries of Crimson Wine Group, Ltd. (filed as Exhibit 10.5 to the Company's Registration Statement on Form 10-12G).*

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**

32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

101 Financial statements from the Annual Report on Form 10-K of Crimson Wine Group, Ltd. for the year ended December 31, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Income Statements, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity, and (vi) the Notes to Consolidated Financial Statements.**

* Incorporated by reference.

** Furnished herewith.

+ Management Employment Contract or Compensatory Plan/Arrangement.

± List of exhibits and schedules to the Asset Purchase Agreement were omitted from the filing incorporated by reference. The Registrant hereby undertakes to furnish any such exhibits and schedules to the Commission supplementary upon request.

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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.

CRIMSON WINE GROUP, LTD.

Date: March 15, 2017 By: /s/ Patrick M. DeLong
Name: Patrick M. DeLong
Title: President and Chief Executive Officer

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 and on the dates indicated.

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Date		Signature	Title
March 15, 2017	By:	/s/ Patrick M. DeLong Patrick M. DeLong	President and Chief Executive Officer (Principal Executive Officer)
March 15, 2017	By:	/s/ Craig D. Williams Craig D. Williams	Director, Chief Operating Officer and Chief Winegrower
March 15, 2017	By:	/s/ Shannon B. McLaren Shannon B. McLaren	Chief Financial Officer (Principal Financial and Accounting Officer)
March 15, 2017	By:	/s/ John D. Cumming John D. Cumming	Chairman of the Board of Directors
March 15, 2017	By:	/s/ Ian M. Cumming Ian M. Cumming	Director
March 15, 2017	By:	/s/ Joseph S. Steinberg	Director

		Joseph S. Steinberg	
March 15, 2017	By:	/s/ Avraham M. Neikrug Avraham M. Neikrug	Director
March 15, 2017	By:	/s/ Douglas M. Carlson Douglas M. Carlson	Director
March 15, 2017	By:	/s/ Francesca Schuler Francesca Schuler	Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Crimson Wine Group, Ltd.

We have audited the accompanying consolidated balance sheets of Crimson Wine Group, Ltd. and subsidiaries (the "Company"), as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2016. 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 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall consolidated 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 consolidated financial position of Crimson Wine Group, Ltd. and subsidiaries, as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP

Santa Rosa, California

March 15, 2017

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CRIMSON WINE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts and par value)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 4,795	$ 18,333
Investments available for sale	23,754	25,423
Accounts receivable, net	5,061	6,121
Inventory	66,856	55,636
Other current assets	1,729	1,851
Total current assets	102,195	107,364
Property and equipment, net	123,261	111,635
Goodwill	1,262	1,053
Intangible assets and other non-current assets	14,779	15,894
Total non-current assets	139,302	128,582
Total assets	$ 241,497	$ 235,946
Liabilities		
Current liabilities:		
Accounts payable	$ 5,863	$ 3,936
Accrued compensation related expenses	2,428	2,504
Other accrued expenses	3,501	2,584
Customer deposits	367	385
Current portion of long-term debt, net of unamortized loan fees	634	633
Total current liabilities	12,793	10,042
Long-term debt, net of current portion and unamortized loan fees	14,648	15,282
Deferred rent, non-current	95	120
Deferred tax liability	6,396	3,642
Total non-current liabilities	21,139	19,044
Total liabilities	33,932	29,086
Equity		
Common shares, par value $0.01 per share, authorized 150,000,000 shares; 23,997,385 and 24,306,556 shares issued and outstanding at December 31, 2016 and 2015, respectively	240	243
Additional paid-in capital	277,520	277,520
Accumulated other comprehensive income (loss)	5	(47)
Accumulated deficit	(70,200)	(70,856)
Total equity	207,565	206,860
Total liabilities and equity	$ 241,497	$ 235,946

The accompanying notes are an integral part of these consolidated financial statements

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CRIMSON WINE GROUP, LTD.
CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)

	Year ended December 31,		
	2016	2015	2014
Net sales	$ 64,621	$ 60,977	$ 58,114
Cost of sales	31,653	28,446	27,170
Gross profit	32,968	32,531	30,944
Operating expenses:			
Sales and marketing	15,834	14,197	13,227
General and administrative	10,653	10,543	10,240
Administrative service fees paid to Leucadia National Corporation	-	-	9
Total operating expenses	26,487	24,740	23,476
Net loss (gain) on disposals of property and equipment	242	(59)	(1,553)
Income from operations	6,239	7,850	9,021
Other income (expense):			
Interest expense	(840)	(252)	(152)
Other income (expense), net	498	334	(8)
Total other income (expense), net	(342)	82	(160)
Income before income taxes	5,897	7,932	8,861
Income tax provision	2,619	2,806	3,861
Net income	$ 3,278	$ 5,126	$ 5,000
Basic and fully diluted weighted-average shares outstanding	24,124	24,434	24,458
Basic and fully diluted earnings per share	$ 0.14	$ 0.21	$ 0.20

The accompanying notes are an integral part of these consolidated financial statements.

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CRIMSON WINE GROUP, LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year ended December 31,		
	2016	2015	2014
Net income	$ 3,278	$ 5,126	$ 5,000
Other comprehensive loss:			
Net unrealized holding gains (losses) on investments arising during the period, net of tax	52	(8)	(9)
Comprehensive income	$ 3,330	$ 5,118	$ 4,991

The accompanying notes are an integral part of these consolidated financial statements.

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CRIMSON WINE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,		
	2016	2015	2014
Net cash flows from operating activities:			
Net income	$ 3,278	$ 5,126	$ 5,000
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization of property and equipment	6,691	5,913	5,555
Amortization of intangible assets	1,556	1,514	1,514
Amortization of loan fees	7	1	-
Loss on write-down of inventory	207	288	517
Provision for doubtful accounts	-	17	4
Net loss (gain) on disposal of property and equipment	242	(59)	(1,553)
Deferred rent	(18)	(3)	123
Decrease in net deferred tax asset valuation allowance	-	-	(265)
Provision for deferred income tax	2,772	2,589	3,848
Net change in operating assets and liabilities:			
Accounts receivable	1,292	(354)	(644)
Inventory	(7,279)	(6,331)	(5,817)
Other current assets	122	(957)	161
Other non-current assets	159	(108)	6
Accounts payable and expense accruals	1,162	1,095	404
Customer deposits	(18)	(18)	75
Net cash provided by operating activities	10,173	8,713	8,928
Net cash flows from investing activities			
Acquisition of Seven Hills Winery	(7,320)	-	-
Purchase of investments available for sale	(5,750)	(36,479)	(9,500)
Redemption of investments available for sale	7,500	26,729	4,250
Acquisition of property and equipment	(14,929)	(8,632)	(7,664)
Proceeds from disposals of property and equipment	53	192	3,991
Net cash used in investing activities	(20,446)	(18,190)	(8,923)
Net cash flows from financing activities:			
Proceeds from issuance of term loan	-	16,000	-
Principal payments on long-term debt	(640)	-	-
Repurchase of common stock	(2,625)	(1,378)	-
Payment of loan fees	-	(86)	-
Net cash (used in) provided by financing activities	(3,265)	14,536	-
Net (decrease) increase in cash and cash equivalents	(13,538)	5,059	5
Cash and cash equivalents - beginning of period	18,333	13,274	13,269
Cash and cash equivalents - end of period	$ 4,795	$ 18,333	$ 13,274
Supplemental disclosure of cash flow information			
Cash paid during the period for:			

Interest, net of capitalized interest	$ 722	$ 138	$ 152
Income tax payments (refunds), net	$ -	$ 569	$ 448
Non-cash investing and financing activity:			
Unrealized holding losses (gains) on investments, net of tax	$ 52	$ (8)	$ (9)
Acquisition of property and equipment accrued but not yet paid	$ 1,098	$ 342	$ -
Contingent consideration for the acquisition of Seven Hills Winery	$ 610	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

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CRIMSON WINE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except share amounts)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Income (Loss)	Deficit	Total
Balance, December 31, 2013	24,458,368	$ 245	$ 277,520	$ (30)	$ (79,606)	$ 198,129
Net income					5,000	5,000
Other comprehensive loss				(9)		(9)
Balance, December 31, 2014	24,458,368	245	277,520	(39)	(74,606)	203,120
Net income					5,126	5,126
Other comprehensive loss				(8)		(8)
Repurchase of common stock	(151,812)	(2)			(1,376)	(1,378)
Balance, December 31, 2015	24,306,556	243	277,520	(47)	(70,856)	206,860
Net income					3,278	3,278
Other comprehensive income				52		52
Repurchase of common stock	(309,171)	(3)			(2,622)	(2,625)
Balance, December 31, 2016	23,997,385	$ 240	$ 277,520	$ 5	$ (70,200)	$ 207,565

The accompanying notes are an integral part of these consolidated financial statements.

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CRIMSON WINE GROUP, LTD.

Notes to Consolidated Financial Statements

1. Explanatory Note

Crimson Wine Group, Ltd. and its subsidiaries (collectively, "Crimson" or the "Company") is a Delaware corporation that has been conducting business since 1991.

Crimson qualifies as an "emerging growth company" as defined in the JOBS Act. Crimson has elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. This election is irrevocable.

2. Nature of Operations

Crimson is in the business of producing and selling ultra-premium plus wines (i.e., wines that retail for over $15 per 750ml bottle). Crimson is headquartered in Napa, California and through its wholly-owned subsidiaries owns six wineries: Pine Ridge Vineyards, Archery Summit, Chamisal Vineyards, Seghesio Family Vineyards, Double Canyon and Seven Hills Winery. Pine Ridge was acquired in 1991 and has been conducting operations since 1978, Crimson started Archery Summit in 1993, Chamisal Vineyards was acquired in 2008 and has been conducting operations since 1973 and Seghesio Family Vineyards was acquired in 2011 and has been conducting operations since 1895. Double Canyon vineyard land was acquired in 2005 and 2006 and is located in the Horse Heaven Hills of Washington's Columbia Valley. Since 2010, Double Canyon has produced wines in a third party custom crush facility, and in July of 2016 the Company announced it is building a winemaking facility in West Richland, Washington where Double Canyon will transition all its winery production activities in-house. Seven Hills Winery, which has been conducting operations since 1988, was acquired in the first quarter of 2016 and is located in Walla Walla, Washington.

Pine Ridge Vineyards owns 158 acres, and controls through leasing arrangements an additional 2 acres, of estate vineyards in five Napa Valley appellations – Stags Leap District, Rutherford, Oakville, Carneros and Howell Mountain. Approximately 153 acres are currently planted and producing grapes. Archery Summit owns 106 acres, and controls

through leasing arrangements an additional 17 acres, of estate vineyards in the Willamette Valley, Oregon. Approximately 108 acres are currently planted and producing grapes. Chamisal Vineyards owns 97 acres of vineyards in the Edna Valley, California, of which 84 acres are currently planted and producing grapes. Seghesio Family Vineyards owns 317 acres of vineyards in two Sonoma County appellations, the Alexander Valley and Russian River Valley, of which approximately 285 acres are currently planted and producing grapes. Double Canyon owns 185 acres of vineyards in the Horse Heaven Hills appellation in Washington, of which 107 acres are currently planted and producing grapes. The Company also owns Seven Hills Vineyard, which encompasses 109 acres of vineyards and apple orchards primarily in the Walla Walla Valley, of which 109 acres are currently planted.

Crimson’s revenue model is a combination of direct to consumer sales and wholesale distributor sales. The Company’s wines are available through many principal retail channels for premium table wines, including fine wine restaurants, hotels, specialty shops, supermarkets and club stores, in all states domestically and in over 30 countries throughout the world. References to cases of wine herein refer to nine-liter equivalent cases.

3. Significant Accounting Policies

(a) Critical Accounting Estimates: The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates all of these estimates and assumptions. The following areas have been identified as critical accounting estimates because they have the potential to have a significant impact on the Company's consolidated financial statements, and because they are based on assumptions which are used in the accounting records to reflect, at a specific point in time, events whose ultimate outcome won’t be known until a later date. Actual results could differ from these estimates.

Inventory - Inventories are stated at the lower of cost or market, with cost being determined on the first-in, first-out method. Costs associated with winemaking, and other costs associated with the manufacturing of products for resale, are recorded as inventory. In accordance with general practice within the wine industry, wine inventories are included in current assets, although a portion of such inventories may be aged for periods longer than one year. As required, the Company reduces the carrying value of inventories that are obsolete or in excess of estimated usage to estimated net realizable value. The Company’s estimates of net realizable value are based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of sales. If future demand and/or pricing for the Company’s products are less than previously estimated, then the carrying value of the inventories may be required to be reduced, resulting in additional expense and reduced profitability. Inventory write-downs of $0.2 million, $0.3 million and $0.5 million were recorded during the years ended

December 31, 2016, 2015 and 2014, respectively.

Vineyard Development Costs – The Company capitalizes internal vineyard development costs when developing new vineyards or replacing or improving existing vineyards. These costs consist primarily of the costs of the vines and expenditures related to labor and materials to prepare the land and construct vine trellises. Amortization of such costs as annual crop costs is recorded on a straight-line basis over the estimated economic useful life of the vineyard, which can be as long as 25 years. As circumstances warrant, the Company re-evaluates the recoverability of capitalized costs, and will record impairment charges if required. The Company has not recorded any significant impairment charges for its vineyards during the last three years.

Review of Long-lived Assets for Impairment - For intangible assets with definite lives, impairment testing is required if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and for goodwill, impairment testing is required at least annually or more frequently if events or circumstances indicate that these assets might be impaired. The Company currently has no intangible assets with indefinite lives. Substantially all of the Company's goodwill and other intangible assets result from the acquisition of Seghesio Family Vineyards in May 2011. Amortization of intangible assets is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 7 to 20 years. The Company evaluates goodwill for impairment at the end of each year, and has concluded that goodwill is not impaired.

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Long-lived assets consist primarily of property and equipment and intangible assets with definite lives. Circumstances that might cause the Company to evaluate its long-lived assets for impairment could include a significant decline in the prices the Company or the industry can charge for its products, which could be caused by general economic or other factors, changes in laws or regulations that make it difficult or more costly for the Company to distribute its products to its markets at prices which generate adequate returns, natural disasters, significant decrease in demand for the Company's products or significant increase in the costs to manufacture the Company's products.

Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). This would typically be at the winery level which is described in Note 2 above. The Company did not recognize any impairment charges associated with long-lived assets during the three year period ended December 31, 2016.

Depletion allowances - The Company pays depletion allowances to its distributors based on their sales to their customers. These allowances are estimated on a monthly basis by the Company, and allowances are accrued as a reduction of sales. Subsequently, distributors will bill the Company for actual depletions, which may be different from the Company's estimate. Any such differences are recognized in sales when the bill is received. The Company has historically been able to estimate depletion allowances without any material differences between actual and estimated expense.

(b) Consolidation policy: The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany balances and transactions are eliminated in consolidation.

(c) Cash and cash equivalents: The Company considers short-term investments, which have maturities of less than three months at the time of acquisition, to be cash equivalents. The Company had no short-term investments considered to be cash and cash equivalents at December 31, 2016 and 2015.

(d) Financial instruments and fair value: Investments available for sale include a US Treasury Note and Certificates of Deposits at December 31, 2016, and 2015. All of the Company's available for sale securities are classified as either Level 1 or Level 2 (see 'Fair value hierarchy' section below) and are recorded at fair value. Available for sale securities that mature greater than 12 months from original investment are recorded as short-term because the securities represent the investment of funds that are available for current operations. Net unrealized gains and losses, net of tax, on available for sale securities are recorded in accumulated other comprehensive income (loss). Unrealized losses that are considered other than temporary are recorded in other income (expense) – net, with the corresponding reduction to the carrying basis of the investment. No other than temporary losses were recorded during the three year period ended December 31, 2016.

Fair value hierarchy: In determining fair value, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities at the reported date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Instruments that have little to no pricing observability at the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are valued at quoted market prices, if available. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, the financial instrument is valued at the point within the bid-ask range that meets our best estimate of fair value. We use prices and inputs that are current at the measurement date. For financial instruments that do not have readily determinable fair values using quoted market prices, the determination of fair value is based upon consideration of available information, including types of financial instruments, current financial information, restrictions on dispositions, fair values of underlying financial instruments and quotations for similar instruments.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management's judgment, features of the financial instrument such as its complexity, the market in which the financial instrument is traded and risk uncertainties about market conditions require that an adjustment be made to the value derived from the models. Adjustments from the price derived from a valuation model reflect management's judgment that other participants in the market for the financial instrument being measured at fair value would also consider in valuing that same financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument and market conditions. As the observability of prices and inputs may change for a financial instrument from period to period, this condition may cause a transfer of an instrument among the fair value hierarchy levels. Transfers among the levels are recognized at the beginning of each period. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

(e) Accounts receivable: Accounts receivable are reported at net realizable value. The Company's accounts receivable balance is net of an allowance for doubtful accounts of $0.1 million at December 31, 2016 and 2015. Interest is not accrued on past-due amounts. Accounts are charged against the allowance to bad debt as they are deemed uncollectible based upon a periodic review of the accounts. In evaluating the collectability of individual receivable balances, the Company considers several factors, including the age of the balance, the customer's historical payment history, its current credit worthiness and current economic trends.

(f) Property and equipment: Property and equipment are stated at cost and are depreciated using the straight-line method over the related assets estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Costs incurred developing vineyards are capitalized until the vineyard becomes commercially productive. Interest is capitalized during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is depreciated over the useful lives of those assets. During the year ended December 31, 2016 capitalized interest was $0.1 million, and zero for both the years ended December 31, 2015 and 2014.

(g) Loan fees: Fees incurred with the issuance of the Company's debt are recorded in the consolidated balance sheets as a reduction to associated debt balances, consistent with the short-term or long-term classification of the related debt outstanding at the end of the reporting period. The Company amortizes debt discount to interest expense over the contractual or expected term of the debt using the effective interest method.

(h) Concentrations of risk: The Company sells the majority of its wine through distributors and retailers. Receivables arising from these sales are not collateralized. During the year ended December 31, 2016, sales to one customer accounted for approximately 12% of total sales. Amounts due from this customer represented 22% of net accounts receivable as of December 31, 2016. During the year ended December 31, 2015, sales to two customers each accounted for approximately 15% and 10% of net sales, and in the year ended December 31, 2014 sales to one customer accounted for approximately 15% of total sales. Amounts due from these customers represented approximately 45% and 32% of net accounts receivable as of December 31, 2015 and 2014, respectively.

The Company maintains its cash in bank deposit accounts that, at times, may exceed FDIC insurance thresholds.

(i) Revenue recognition: The Company recognizes revenue from product sales upon shipment or delivery provided that persuasive evidence of an arrangement exists, which for sales to wholesalers is a purchase order, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, there are no customer acceptance requirements, and there are no remaining significant obligations. The cost of depletion allowances and price promotions are treated as reductions of revenues and can be reasonably estimated based upon experience. Revenue from products sold through retail locations, wine clubs and the internet is recognized when the product is either received by the customer (on-site sales) or shipped to the customer (wine club and internet sales) and payment is received, based on published retail prices and applicable published discounts. Revenue includes any shipping and handling costs billed to the customer, and such amounts are not expected to be sufficient to cover actual costs.

(j) Cost of sales: Includes grape, juice and bulk wine costs, whether purchased or grown, crush costs, winemaking and processing costs, bottling, packaging, warehousing and shipping and handling costs. For vineyard produced grapes, grape costs include annual farming costs and amortization of vineyard development expenditures. For wines that age longer than one year, winemaking and processing costs continue to be incurred and capitalized to the cost of wine, which can range from 3 to 36 months. No further costs are allocated to inventory once the product is bottled and available for sale.

(k) Taxes not on income: Excise taxes are levied by government agencies on the sale of alcoholic beverages, including wine. These taxes are not collected from customers but are instead the responsibility of the Company. Excise taxes of $1.2 million, $1.1 million and $1.0 million in the years ended December 31, 2016, 2015 and 2014, respectively, were recognized as a reduction to wine sales. Sales taxes that are collected from customers and remitted to governmental agencies are not reflected as revenues.

(l) Advertising costs: Advertising costs are expensed as incurred and were $0.3 million for both the years ended December 31, 2016 and 2015 and $0.2 million for the year ended December 31, 2014.

(m) Website and internal-use software costs: The Company capitalizes certain qualifying costs incurred in the acquisition and development of software for internal use, including the costs of the software, materials, consultants and payroll and payroll-related costs for employees during the application development stage. Internal and external costs incurred during the preliminary project stage and post implementation-operation stage, mainly training and maintenance costs, are expensed as incurred. Costs incurred for enhancements that are expected to result in additional material functionality are capitalized. Once the application is substantially complete and ready for its intended use, qualifying costs are amortized on a straight-line basis over the software’s estimated useful life.

(n) Business combinations: Business combinations are accounted for using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to record the assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date. To determine the fair values, the Company relies on third

party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related costs are expensed as incurred. During the measurement period, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, which could be up to one year after the acquisition date, subsequent adjustments are recorded to the Company's consolidated financial statements.

(o) Income taxes: Income taxes are accounted for under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enacted date.

Net tax assets are recorded to the extent the Company believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial results of operations. Prior to 2013, the Company had recorded a full valuation allowance related to its net deferred tax asset. As of December 31, 2016 and 2015, the Company determined it was more likely than not that it would be able to realize its deferred tax assets in the future, and therefore no valuation allowance has been recorded against its deferred tax assets.

The Company does not have any unrecognized tax benefits; however, if it did the Company would record accrued interest and penalties related to unrecognized tax benefits as income tax expense. The Company records deferred income tax liabilities and assets as noncurrent in its consolidated balance sheets (see 'Recent accounting pronouncements' section within this footnote of Form 10-K for additional information on the adoption of this policy). See Note 12 for more detail on income tax for the Company.

(p) Recent accounting pronouncements:

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards that are not yet adopted			
Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606)	This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2017. Early adoption is permitted for reporting periods beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU.	January 1, 2018, early adoption is permitted for the Company.	Currently, the Company does not expect the adoption of this ASU to have a material impact on its financial statements except that there are significant additional reporting requirements under the new standard.
ASU 2015-11, Inventory (Topic 330)	Topic 330, Inventory, currently requires an entity to measure inventory at the lower of cost or market, with market value represented by replacement cost, net realizable value or net realizable value less a normal profit margin. The amendments in ASU 2015-11 requires an entity to measure inventory at the lower of cost or net realizable value.	January 1, 2017, early adoption is permitted for the Company.	Management is currently evaluating the potential impact of this guidance on the Company's consolidated financial statements.
ASU 2016-02, Leases (Topic 842)	Increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief.	January 1, 2019, early adoption is permitted for the Company.	The Company is currently evaluating the impact of the pending adoption of this new standard on its financial statements and has yet to determine the overall impact this

			ASU is expected to have. Management currently anticipates recognizing a right-of-use asset and a lease liability associated with its long-term operating leases.
ASU 2016-08, Revenue from Contracts with Customers (Topic 606)	ASU 2016-08 amends the principal-versus-agent implementation guidance set forth in ASU 2014-09. Among other things, ASU 2016-08 clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer.	January 1, 2018, early adoption is permitted for the Company.	See comments under ASU 2014-09 above.
ASU 2016-10, Revenue from Contracts with Customers (Topic 606)	Amends certain aspects of ASU 2014-09 related to identifying performance obligations and licensing implementation.	January 1, 2018, early adoption is permitted for the Company.	See comments under ASU 2014-09 above.
ASU 2016-15, Statement of Cash Flows (Topic 230)	Amends the guidance in Topic 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic.	January 1, 2018, early adoption is permitted for the Company.	Management is currently evaluating the potential impact of this guidance on the Company's consolidated financial statements.
ASU 2017-01, Business Combinations (Topic 805)	Clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.	January 1, 2018, early adoption is permitted for the Company.	Management is currently evaluating the potential impact of this guidance on the Company's consolidated financial statements.
ASU 2017-04, Goodwill and Other (Topic 350)	Eliminates Step 2 from the goodwill impairment test. Entities should perform their goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.	January 1, 2020, early adoption is permitted for the Company.	Management is currently evaluating the potential impact of this guidance on the Company's consolidated financial statements.

Standards that were adopted

ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40)	In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).	December 31, 2016	The adoption of this standard did not have an impact on the Company's consolidated financial statements.
ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30)	This guidance requires debt issuance costs to be presented in the balance sheet as a reduction of the related debt liability rather than an asset. In August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest (Subtopic 835-30), an update to clarify ASU 2015-03, which did not address the balance sheet presentation of debt issuance costs that are either (1) incurred before a debt liability is recognized (e.g. before the debt proceeds are received), or (2) associated with revolving debt arrangements. ASU 2015-15 states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the LOC arrangement, regardless of whether there are outstanding borrowings under that LOC arrangement. This standard became effective upon issuance and should be adopted concurrent with the adoption of ASU 2015-03.	January 1, 2015	The Company applied retrospective treatment of the standards. The adoption of these ASU's resulted in $0.1 million of debt issuance costs related to the term loan issued in November 2015 to be recorded as a reduction of the related debt on the Company's balance sheet as of December 31, 2016 and 2015.
ASU 2015-05, Intangibles- Goodwill and Other- Internal-Use Software (Subtopic 350-40)	Cloud computing arrangements represent the delivery of hosted services over the internet which includes software, platforms, infrastructure and other hosting arrangements. The ASU provides criteria to determine whether the cloud computing arrangement includes a software license. A software license can include customized development, maintenance, hosting and other related costs. If the criteria are met, the customer will capitalize the fee attributable to the software license portion of the arrangement as internal-use software. If the arrangement does not include a software license, it should be treated as a service contract.	January 1, 2016.	The adoption of this standard did not have a material impact on the Company's consolidated financial statements.
ASU 2015-16, Business Combinations (Topic 805)	The standard eliminates the requirement for retrospective treatment of measurement-period adjustments in a business combination. Instead, a measurement-period adjustment will be recognized in the period in which the adjustment is determined.	January 1, 2016.	The adoption of this standard did not have a material impact on the Company's consolidated financial statements.
ASU 2015-17, Income Taxes (Topic 740)	The guidance requires that deferred income tax liabilities and assets be classified as noncurrent in a classified	January 1, 2015	The Company applied

	statement of financial position.		retrospective treatment of the standard. The retrospective reclassification resulted in a reduction in current assets, total assets, non-current liabilities and total liabilities of $3.2 million as of December 31, 2014.
ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323)	ASU 2017-03 responds to SEC staff announcements made in 2016 as it relates to the disclosure of the future impact of the effects of the new FASB guidance on revenue, leases and credit losses on financial instruments in accordance with Staff Accounting Bulletin 74.	ASU 2017-03 was effective upon issuance in January 2017.	As of January 1, 2017, the Company adopted ASU 2017-03 and made the required disclosures within this section of the Form 10-K.

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4. Acquisition of Seven Hills Winery

On January 27, 2016, one of Crimson's wholly-owned subsidiaries entered into a purchase agreement pursuant to which Crimson's subsidiary acquired, or has rights in, substantially all of the assets and certain liabilities with respect to the Seven Hills Winery located in Walla Walla, Washington. The acquisition provides a strategic opportunity for Crimson to expand its portfolio.

The acquisition-date fair value of total consideration for the Seven Hills Winery acquisition was $7.9 million, consisting of $7.3 million in cash, which included a working capital adjustment of $0.3 million, and $0.6 million of non-cash contingent consideration. The contingent consideration arrangement requires the Company to pay up to $0.8 million in future earn-out payments based on certain achievements of the acquired business over the 38 months following the closing of the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Accounts receivable	$ 232
Inventory	4,148
Property and equipment	2,927
Deferred tax asset	47
Intangible assets	600
Total assets	7,954
Accounts payable and accruals	233
Net assets acquired	7,721
Goodwill	209
Total purchase price	$ 7,930

Goodwill recognized of $0.2 million was primarily attributable to synergies expected from combining the Company's operations with Seven Hills Winery's operations, as well as the assembled workforce. All of the goodwill is deductible for income tax purposes.

Adjustments to record the assets acquired and liabilities assumed at fair value include the recognition of $0.6 million of intangible assets as follows (in thousands, except estimated life information):

	Amount	Estimated Life

Brand	$ 500	15 years
Distributor relationships	100	10 years
Total	$ 600	

As described in Note 14 "Business Segment Information," based on the nature of the Company's business, revenue generating assets are utilized across segments. Therefore, goodwill recognized has not been allocated to any particular segment of the Company.

The following table details the changes in fair value of assets acquired and liabilities assumed from the amounts originally reported in the Form 10-Q for the quarterly period ended September 30, 2016 (in thousands):

Goodwill at September 30, 2016	$ 143
Effect of adjustments to:	
Inventory	81
Accounts payable and accruals	32
Deferred tax asset	(47)
Goodwill at December 31, 2016	$ 209

The increase in goodwill during the fourth quarter of 2016 was due to conditions that existed as of the acquisition date related to inventory and accounts payable. As part of management's review process during the measurement period, information received subsequent to the initial valuation provided evidence that inventory on hand at the acquisition date was less than what was originally valued, and the accounts payable balance as of the acquisition date was higher than what was originally valued. In addition, the contingent consideration arrangement caused the tax basis of goodwill to be greater than the book basis of goodwill, which resulted in

a deferred tax asset. The Company accordingly adjusted its opening balances relating to inventory, accounts payable and deferred tax asset which had a corresponding increase to goodwill of $0.1 million. These adjustments did not have an impact on the Company's consolidated results of operations.

The Company recognized $0.3 million of acquisition related costs during year ended December 31, 2016. The Company's results for the year ended December 31, 2016 include the results of Seven Hills Winery for the period since the date of acquisition. The amount of revenue and net loss included in the Company's consolidated statements of operations related to Seven Hills Winery for the year ended December 31, 2016 were $2.0 million and less than $0.1 million, respectively.

Pro forma financial statements are not presented as they are not material to the Company's overall consolidated financial statements.

The methodology utilized to fair value the assets acquired and liabilities assumed related to Seven Hills Winery was as follows:

Accounts Receivable and Accounts Payable

The carrying values for current assets and current liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. The Company has subsequently collected on and paid out all of these balances.

Inventory

Inventory fair values were estimated by significant component. Wine-in-process was valued at the estimated selling prices of finished goods less the sum of costs to complete, costs of disposal and reasonable profit allowances for completing and selling efforts based on profits for similar finished goods. Cased wine was valued at estimated selling price less the sum of costs of disposal and reasonable profit allowances for the selling efforts. These fair value measurement were based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, Fair Value Measurement.

Property and Equipment

Property and equipment acquired consisted primarily of a building, land and machinery and equipment used in manufacturing operations. Property and equipment fair values were estimated at their highest and best use value, using either the cost or the market approach, when appropriate based on available data, and further corroborated with an income approach when appropriate. These fair value measurements represent Level 2 and Level 3 measurements.

Intangible Assets

The identifiable intangible assets acquired consisted of brand and distributor relationships. The relief from royalty valuation method, a form of the income approach, was used to estimate the fair value of the brand. The multi-period excess earnings method, a form of the income approach, was used to estimate the fair value of the distributor relationships. These fair value measurements represent Level 3 measurements.

Contingent Consideration

The Company estimated the fair value of the contingent consideration at January 27, 2016 (the acquisition date) to be $0.6 million, using a probability-weighted discounted cash flow model. This fair value measurement represents a Level 3 measurement. Changes to the estimated fair value of the contingent consideration at each reporting period shall be recorded in the Company's consolidated income statement under the line item titled 'General and administrative expense' as an operating expense. The fair value of the contingent consideration as of December 31, 2016 was $0.7 million, and the Company recognized $0.1 million in expense related to the changes in the estimated fair value of the contingent consideration during the year ended December 31, 2016.

5. Inventory

A summary of inventory at December 31, 2016 and 2015 is as follows (in thousands):

	December 31, 2016	December 31, 2015
Case wine	$ 33,650	$ 30,997
In-process wine	32,828	24,306
Packaging and bottling supplies	378	333

Total inventory	$ 66,856	$ 55,636

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6. Property and Equipment

A summary of property and equipment at December 31, 2016 and 2015, and depreciation expense for the years ended December 31, 2016, 2015 and 2014, is as follows (in thousands):

	Depreciable Lives (in years)		December 31, 2016		December 31, 2015
Land and improvements	N/A	$	46,564	$	41,573
Buildings and improvements	20-40		51,140		48,770
Vineyards, orchards and improvements	7-25		36,163		35,792
Winery and vineyard equipment	3-25		33,690		29,766
Caves	20-40		5,639		5,638
Vineyards under development	N/A		3,176		2,001
Construction in progress	N/A		3,788		195
Total			180,160		163,735
Accumulated depreciation and amortization			(56,899)		(52,100)
Property and equipment, net		$	123,261	$	111,635

	Year ended December 31,		
	2016	2015	2014
Depreciation expense (in thousands):			
Capitalized into inventory	$ 5,280	$ 4,763	$ 4,601
Expensed to general and administrative	1,411	1,150	954
Total depreciation	$ 6,691	$ 5,913	$ 5,555

In May 2014, the Company sold a non-strategic unplanted parcel of land in Washington for net proceeds of $3.9 million after selling expenses. The Company recorded a pre-tax gain of $1.8 million, net of closing costs, during the year ended December 31, 2014.

7. Financial Instruments

The Company’s material financial instruments include cash and cash equivalents, investments classified as available for sale and short-term and long-term debt; investments classified as available for sale are the only assets or liabilities that are measured at fair value on a recurring basis.

All of the Company’s investments mature within three years or less. The par value, amortized cost, gross unrealized gains and losses and estimated fair value of investments classified as available for sale as of December 31, 2016 and 2015 are as follows (in thousands):

December 31, 2016	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Level 1	Level 2	Total Fair Value Measurements
U.S. Treasury Note	$ 10,000	$ 10,000	$ -	$ (5)	$ 9,995	$ -	$ 9,995
Certificates of Deposit	13,750	13,750	27	(18)	-	13,759	13,759
Total	$ 23,750	$ 23,750	$ 27	$ (23)	$ 9,995	$ 13,759	$ 23,754

December 31, 2015	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Level 1	Level 2	Total Fair Value Measurements
U.S. Treasury Note	$ 10,000	$ 10,000	$ -	$ (45)	$ 9,955	$ -	$ 9,955
Certificates of Deposit	15,500	15,500	4	(36)	-	15,468	15,468
Total	$ 25,500	$ 25,500	$ 4	$ (81)	$ 9,955	$ 15,468	$ 25,423

Gross unrealized losses on available-for-sale securities were less than $0.1 million as of December 31, 2016, and the Company believes the gross unrealized losses are temporary as it does not intend to sell these securities and it is more likely than not that the Company

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will not be required to sell these securities before the recovery of their amortized cost basis.

As of December 31, 2016 and 2015, other than the assets and liabilities related to the Seven Hills Winery acquisition (see Note 4), the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis. For cash and cash equivalents, the carrying amounts of such financial instruments approximate their fair values. For short-term debt, the carrying amounts of such financial instruments approximate their fair values. As of December 31, 2016 the Company has estimated the fair value of its outstanding debt to be approximately $14.6 million compared to its carrying value of $15.4 million, based upon discounted cash flows with Level 3 inputs, such as the terms that management believes would currently be available to the Company for similar issues of debt, taking into account the current credit risk of the Company and other factors.

The Company does not invest in any derivatives or engage in any hedging activities.

8. Intangible and Other Non-Current Assets

A summary of intangible and other non-current assets at December 31, 2016 and 2015 is as follows (in thousands):

	Amortizable Lives (in years)	December 31, 2016	December 31, 2015
Brand, net of accumulated amortization of $5,779 and $4,717	15 - 17	$ 12,221	$ 12,783
Distributor relationships, net of accumulated amortization of $1,046 and $851	10 - 14	1,654	1,749
Customer relationships, net of accumulated amortization of $1,515 and $1,243	7	385	657
Legacy permits, net of accumulated amortization of $100 and $82	14	150	168
Trademark, net of accumulated amortization of $83 and $74	20	117	126
Total intangible assets, net		14,527	15,483
Other non-current assets		252	411

Total intangible and other non-current assets	$ 14,779	$ 15,894

Amortization expense was $1.6 million for the year ended December 31, 2016 and $1.5 million for each of the years ended December 31, 2015 and 2014.

The estimated aggregate future amortization as of December 31, 2016 is identified below (in thousands):

Years Remaining:	Amortization
2017	$ 1,557
2018	1,402
2019	1,286
2020	1,286
2021	1,286
Thereafter	7,710
Total	$ 14,527

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9. Other Accrued Expenses

Other accrued expenses consisted of the following as of December 31, 2016 and 2015 (in thousands):

	December 31, 2016	December 31, 2015
Acquisition of property and equipment	$ 1,098	$ 342
Contingent liability related to Seven Hills Winery	697	-
Depletion allowance	583	977
Production and farming	381	768
Sales and marketing	352	253
Accrued interest	224	114
Other accrued expenses	166	130
Total other accrued expenses	$ 3,501	$ 2,584

10. Stockholders' Equity and Equity Incentive Plan

The Company is authorized to issue 15,000,000 shares of one or more series of preferred stock; no preferred stock has been issued. There were no dilutive or complex equity instruments or securities outstanding at any time during the periods presented.

In February 2013, the Company adopted the 2013 Omnibus Incentive Plan, which provides for the granting of up to 1,000,000 stock options or other common stock based awards. The terms of awards that may be granted, including vesting and performance criteria, if any, will be determined by the Company's board of directors. No awards have been granted to date.

In March 2014, the Board of Directors of Crimson authorized a share repurchase program (the "2014 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the share 2014 Repurchase Program, any repurchased shares are constructively retired. During the year ended December 31, 2015, the Company repurchased 151,812 shares under the 2014 Repurchase Program which were constructively retired at an original repurchase cost of $1.4 million. During the year ended December 31, 2016, the Company repurchased 76,710 shares under the 2014 Repurchase Program which were constructively retired at an original repurchase cost of $0.6 million. On February 29, 2016, the 2014 Repurchase Program was completed.

In March 2016, the Board of Directors of the Company authorized a second share repurchase program (the "2016 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2016 Repurchase Program, any repurchased shares are constructively retired. During the year ended December 31, 2016, the Company repurchased 232,461 shares under the 2016 Repurchase Program which were constructively retired at an original repurchase cost of $2.0 million. On November 14, 2016, the 2016 Repurchase Program was completed.

In November 2016, the Board of Directors of the Company authorized a third share repurchase program (the "2017 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2017 Repurchase Program, any repurchased shares are constructively retired. No shares were repurchased under the 2017 Repurchase Program during the year ended December 31, 2016.

11. Debt

Revolving Credit Facility

In March 2013, Crimson and its subsidiaries entered into a $60.0 million revolving credit facility with American AgCredit, FLCA, as agent for the lenders identified in the revolving credit facility, comprised of a revolving loan facility and a term revolving loan facility, which together is secured by substantially all of Crimson's assets. The revolving credit facility is for up to $10.0 million of availability in the aggregate for a five year term, and the term revolving credit facility is for up to $50.0 million in the aggregate for a fifteen year term. All obligations of Crimson under the revolving credit facility are collateralized by certain real property, including vineyards and certain winery facilities of Crimson, accounts receivable, inventory and intangible assets. In addition to unused line fees ranging from 0.25% to 0.375%, rates for the borrowings are priced based on a performance grid tied to certain financial ratios and the London Interbank Offered Rate. Effective October 1, 2015, the unused line fees range from 0.15% to 0.25%. The revolving credit facility can be used to fund acquisitions, capital projects and other general corporate purposes.

Covenants include the maintenance of specified debt and equity ratios, limitations on the incurrence of additional indebtedness, limitations on dividends and other distributions to shareholders and restrictions on certain mergers, consolidations and sales of assets. No amounts have been borrowed under the revolving credit facility to date.

Term Loan

On November 10, 2015, Pine Ridge Winery, LLC (“Borrower”), a wholly-owned subsidiary of Crimson entered into a senior secured term loan agreement (the “term loan”) with American AgCredit, FLCA (“Lender”) for an aggregate principal amount of $16.0 million. Amounts outstanding under the term loan will bear a fixed interest rate of 5.24% per annum.

The term loan will mature on October 1, 2040 (the “Maturity Date”). On the first day of each January, April, July and October, commencing January 1, 2016, a principal payment in the amount of $160,000 and an interest payment equal to the amount of all interest accrued through the previous day shall be made. A final payment of all unpaid principal, interest and any other charges with respect to the term loan shall be due and payable on the Maturity Date.

The Company incurred debt issuance costs of approximately $0.1 million related to this term loan. These costs are recorded as a reduction from short-term or long-term debt, based on the timeframe in which the fees will be expensed (i.e. – expensed within 12-months shall be classified against short-term debt). The costs are being amortized to interest expense using the effective interest method over the contractual term of the loan.

Borrower’s obligations under the term loan are guaranteed by the Company. All obligations of Borrower under the term loan are collateralized by certain real property of the Company. Borrower’s covenants include the maintenance of a specified debt service coverage ratio and certain customary affirmative and negative covenants, including limitations on the incurrence of additional indebtedness; limitations on distributions to shareholders; and restrictions on certain investments, sale of assets and merging or consolidating with other persons.

Events of default under the term loan include, among others, the following: failure to make payments when due, breach of covenants, breach of representations or warranties, cessation of operations and the incurrence of certain environmental liabilities. In the case of any of the foregoing events of default, Lender may, but is not obligated to, accelerate all amounts due under the term loan and cause them to become immediately due and payable. In the case of an event of default arising from certain events of bankruptcy or insolvency, amounts due under the term loan will be accelerated and become immediately due and payable.

The full $16.0 million was drawn at closing and the term loan can be used to fund acquisitions, capital projects and other general corporate purposes. As of December 31, 2016, $15.3 million in principal was outstanding, net of unamortized loan fees of $0.1 million.

The Company was in compliance with all debt covenants as of December 31, 2016.

A summary of debt maturity as of December 31, 2016 is as follows (in thousands):

Principal due in 2017	$ 640
Principal due in 2018	640
Principal due in 2019	640
Principal due in 2020	640
Principal due in 2021	640
Principal due thereafter	12,160
Total	$ 15,360

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12. Income Taxes

The provision for income taxes for years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	2016	2015	2014
State income taxes			
Current	$ (22)	$ 107	$ 110
Deferred	773	329	659
Total state income taxes	751	436	769
Federal income taxes			
Current	(160)	140	166
Deferred	2,028	2,230	2,926
Total federal income taxes	1,868	2,370	3,092
Total	$ 2,619	$ 2,806	$ 3,861

The Company's income tax returns are subject to examination in the U.S. federal and state jurisdictions. To the extent the Company has unutilized net operating loss carryforwards (“NOLs”), the statute of limitations does not begin to run until the NOLs are utilized. Therefore, for federal and state tax purposes, the Company has tax years open dating back to 2002. The Company currently has no unrecognized tax benefits, and it is not reasonably possible to estimate the amount by which that could increase in the next twelve months since the timing of examinations, if any, is unknown.

The principal components of deferred taxes at December 31, 2016 and 2015 are as follows (in thousands):

	2016	2015
Deferred tax asset		
California NOL carryover	$ 955	$ 1,087
Federal alternative minimum tax credit	253	-
Accrued vacation	230	207
Inventory	-	2,132
Other	116	114
Total deferred tax asset	1,554	3,540

Deferred tax liability				
Inventory		(338)		-
Property and equipment		(6,916)		(6,586)
Intangible assets and goodwill		(696)		(596)
Total deferred tax liability		(7,950)		(7,182)
Net deferred tax liability, non-current	$	(6,396)	$	(3,642)

As of December 31, 2016, the Company has utilized all of its federal NOLs and the amount and expiration dates of California State NOLs are as follows (in thousands):

		State
2027-2032	$	16,373

Under certain circumstances, the ability to use the NOLs and future deductions could be substantially reduced if certain changes in ownership were to occur. In order to reduce this possibility, the Company's certificate of incorporation includes a charter restriction that prohibits transfers of the Company's common stock under certain circumstances.

The table below reconciles the expected statutory income tax rate to the actual income tax provision (in thousands):

	2016	2015	2014
Expected federal income tax expense	$ 2,005	$ 2,697	$ 3,027
State income tax expense	477	301	769
True-up of deferred tax balance	-	(85)	-
Decrease in valuation allowance	-	-	(265)
Other, net	137	(107)	330
Total	$ 2,619	$ 2,806	$ 3,861

13. Employee Benefit Plan

A 401(k) profit sharing plan is provided to all employees who meet certain service requirements. The Company matches 25% of a participant's salary deferral, subject to regulatory limitations. Total Company contributions to the plan were $0.2 million for each of the years ended December 31, 2016, 2015 and 2014.

14. Business Segment Information

The Company has identified two operating segments which are reportable segments for financial statement reporting purposes, Wholesale Sales and Direct to Consumer Sales, based upon their different distribution channels, margins and selling strategies. Wholesale Sales includes all sales through a third party where prices are given at a wholesale rate whereas Direct to Consumer Sales includes retail sales in the tasting room, remote sites and on-site events, Wine Club sales and other sales made directly to the consumer without the use of an intermediary.

The two segments reflect how the Company's operations are evaluated by senior management and the structure of its internal financial reporting. The Company evaluates performance based on the gross profit of the respective business segments. Selling expenses that can be directly attributable to the segment are allocated accordingly. However, centralized selling expenses and general and administrative expenses are not allocated between operating segments. Therefore, net income information for the respective segments is not available. Based on the nature of the Company's business, revenue generating assets are utilized across segments. Therefore, discrete financial information related to segment assets and other balance sheet data is not available and that information continues to be aggregated.

The following table outlines the net sales, cost of sales including inventory step-up associated with the Seven Hills Winery acquisition, gross profit, directly attributable selling expenses and operating income for the Company's reportable segments for the years ended December 31, 2016, 2015, and 2014, and also includes a reconciliation of consolidated income (loss) from operations. Other/Non-allocable net sales and gross profit include bulk wine and grape sales, event fees and retail sales. Other/Non-allocable expenses include centralized corporate expenses not specific to an identified reporting segment. Sales figures are net of related excise taxes.

	Year Ended December 31,									
	Wholesale			Direct to Consumer			Other/Non-Allocable			T
(in thousands)	2016	2015	2014	2016	2015	2014	2016	2015	2014	2
Net sales	$ 36,946	$ 36,253	$ 33,811	$ 23,099	$ 21,310	$ 20,343	$ 4,576	$ 3,414	$ 3,960	$ 6
Cost of sales	20,263	18,927	17,247	6,829	6,064	6,066	4,561	3,455	3,857	3
Gross profit (loss)	16,683	17,326	16,564	16,270	15,246	14,277	15	(41)	103	3
Operating expenses:										
Sales and marketing	6,244	5,594	5,688	6,121	5,313	4,393	3,469	3,290	3,146	1
General and administrative*	-	-	-	-	-	-	10,653	10,543	10,249	1
Total operating expenses	6,244	5,594	5,688	6,121	5,313	4,393	14,122	13,833	13,395	2
Net loss (gain) on disposal of property and	-	-	-	-	-	-	242	(59)	(1,553)	2

equipment										
Income (loss) from operations	$ 10,439	$ 11,732	$ 10,876	$ 10,149	$ 9,933	$ 9,884	$ (14,349)	$ (13,815)	$ (11,739)	$ 6

* The year ended December 31, 2014 includes $9,000 paid to Leucadia for administrative services.

15. Commitments

The Company records rent expense under its lease agreements on a straight-line basis. Differences between actual lease payments and

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rent expense recognized under these leases results in a deferred rent liability at each reporting period. The Company has certain property lease agreements that expire through 2022. These leases require annual base rent, supplemental rent based on the average market value of the grapes harvested, and certain operating expense payments.

Future base rents required under these agreements are summarized as follows (in thousands):

2017	$ 293
2018	292
2019	296
2020	132
2021	1
Thereafter	1
Total	$ 1,015

Base rent expense was $0.3 million, $0.3 million and $49,000 for the years ended December 31, 2016, 2015 and 2014, respectively. Estimated supplemental rent payments, which are based on the market value of harvested grapes, are presented in the grape and bulk wine purchase commitments below.

The Company has entered into long-term contracts through 2025 to purchase grapes and bulk wine from certain third parties and Seghesio family members who are employees of the Company. Total estimated commitments under these agreements are as follows (in thousands):

	Third Party	Related Party
2017	$ 8,351	$ 852
2018	5,359	972
2019	2,390	706
2020	1,133	437
2021	866	437
Thereafter	2,010	219
Total	$ 20,109	$ 3,623

The Company also purchases additional grapes and bulk wine under one-time purchase or short-term agreements. The total of all grapes and bulk wine purchased was $10.8 million, $7.7 million and $7.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. Included in the totals of all grapes and bulk wine purchased are related party purchases of $0.8 million for the year ended December 31, 2016, and $0.6 million for each of the years ended December 31, 2015 and 2014.

16. Litigation

The Company and its subsidiaries may become parties to legal proceedings that are considered to be either ordinary, routine litigation incidental to their business or not significant to the Company's consolidated financial position or liquidity. The Company does not believe that there is any pending litigation that could have a significant adverse impact on its consolidated financial position, liquidity or results of operations.

17. Selected Quarterly Financial Data (Unaudited)

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016				
Net sales	$ 15,554	$ 15,235	$ 15,838	$ 17,994
Gross profit	$ 7,655	$ 7,566	$ 7,890	$ 9,857
Income from operations	$ 533	$ 1,036	$ 1,135	$ 3,535
Net income	$ 231	$ 514	$ 657	$ 1,876
Basic and fully diluted earnings per common share	$ 0.01	$ 0.02	$ 0.03	$ 0.08
Number of shares used in calculation	24,256	24,155	24,085	24,004
2015				
Net sales	$ 13,717	$ 14,791	$ 14,023	$ 18,446
Gross profit	$ 7,681	$ 8,089	$ 6,960	$ 9,801
Income from operations	$ 1,950	$ 2,156	$ 830	$ 2,914
Net income	$ 1,074	$ 1,542	$ 476	$ 2,034
Basic and fully diluted earnings per common share	$ 0.04	$ 0.06	$ 0.02	$ 0.08
Number of shares used in calculation	24,458	24,458	24,452	24,367
2014				
Net sales	$ 13,272	$ 14,296	$ 12,844	$ 17,702
Gross profit	$ 7,002	$ 8,197	$ 6,940	$ 8,805
Income from operations	$ 1,718	$ 3,782	$ 1,460	$ 2,061
Net income	$ 944	$ 2,290	$ 699	$ 1,067
Basic and fully diluted earnings per common share	$ 0.04	$ 0.09	$ 0.03	$ 0.04
Number of shares used in calculation	24,458	24,458	24,458	24,458