CorEnergy Infrastructure Trust, Inc.
Form 10-K
March 02, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-33292

CORENERGY INFRASTRUCTURE TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	20-3431375
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1100 Walnut, Ste. 3350 Kansas City, MO	64106
(Address of Principal Executive Offices)	(Zip Code)

(816) 875-3705
(Registrant’s telephone number, including area code)

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, par value $0.001 per share	New York Stock Exchange
7.375% Series A Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No
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). Yes x No

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

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

Large accelerated filer		Accelerated filer	x
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company	

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

The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on that date of $28.85 on the New York Stock Exchange was $340,158,808. Common shares held by each executive officer and director and by each person who owns 10% or more of the outstanding common shares (as determined by information provided to the registrant) have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 28, 2017, the registrant had 11,893,147 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2016 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Form 10-K.

CorEnergy Infrastructure Trust, Inc.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS

Table of Contents Index to Financial Statements Glossary of Defined Terms

PART I

GLOSSARY OF DEFINED TERMS

Certain of the defined terms used in this report are set forth below:

Accretion Expense: the expense recognized when adjusting the present value of the GIGS ARO for the passage of time

Administrative Agreement: the Administrative Agreement dated December 1, 2011, as amended effective August 7, 2012, between the Company and Corridor

Alerian MLP Index: a float-adjusted, capitalization-weighted index of energy Master Limited Partnerships

Arc Logistics: Arc Logistics Partners LP (NYSE: ARCX)

Arc Terminals: Arc Terminals Holdings LLC, an indirect wholly-owned operating subsidiary of Arc Logistics

ARO: the Asset Retirement Obligation liabilities assumed with the acquisition of GIGS

ASC: FASB Accounting Standards Codification

Bbls: standard barrel containing 42 U.S. gallons

BB Intermediate: Black Bison Intermediate Holdings, LLC, the holding company of Black Bison Water Services

Bcfe: one billion cubic feet of natural gas equivalent

Black Bison Loans: the financing notes between Corridor Bison and CorEnergy BBWS and BBWS

BBWS: Black Bison Water Services, LLC, the borrower of the Black Bison financing notes, as well as the owner of all of the other collateral securing the Black Bison Loans

BOEM: U.S. Federal Bureau of Ocean Management

BSEE: U.S. Federal Bureau of Safety and Environmental Enforcement

Code: the Internal Revenue Code of 1986, as amended

CorEnergy: CorEnergy Infrastructure Trust, Inc. (NYSE: CORR)

CorEnergy BBWS: CorEnergy BBWS, Inc., a wholly-owned taxable REIT subsidiary of CorEnergy

CorEnergy Credit Facility: the $45 million CorEnergy Term Loan, together with the upsized $105 million CorEnergy Revolver and the $3 million MoGas Revolver with Regions Bank

CorEnergy Revolver: the Company’s $105 million secured revolving line of credit facility with Regions Bank

CorEnergy Term Loan: the Company's $45 million secured term loan with Regions Bank that is part of the CorEnergy Credit Facility

Convertible Notes: the Company's 7.00% Convertible Senior Notes Due 2020

Corridor: Corridor InfraTrust Management, LLC, the Company's external manager pursuant to the Management Agreement

Corridor Bison: Corridor Bison, LLC a wholly-owned subsidiary of CorEnergy

Corridor MoGas: Corridor MoGas, Inc., a wholly-owned taxable REIT subsidiary of CorEnergy and the holding company of MoGas, United Property Systems and CorEnergy Pipeline Company, LLC

Corridor Private: Corridor Private Holdings, Inc., an indirect wholly-owned taxable REIT subsidiary of CorEnergy

CPI: Consumer Price Index

EIP: the Eastern Interconnect Project, which includes 216 miles of 345-kilovolt transmission lines, towers, easement rights, converters and other grid support components that move electricity across New Mexico between Albuquerque and Clovis

Exchange Act: the Securities Exchange Act of 1934, as amended

Table of Contents Index to Financial Statements Glossary of Defined Terms

GLOSSARY OF DEFINED TERMS

EXXI: Energy XXI Ltd, the parent company (and guarantor) of our tenant on the Grand Isle Gathering System lease, emerged from a reorganization under Chapter 11 of the US Bankruptcy Code on December 30, 2016, with the succeeding company named Energy XXI Gulf Coast, Inc. Throughout this document, references to EXXI will refer to both the pre- and post-bankruptcy entities.

EXXI Tenant: Energy XXI GIGS Services, LLC, a wholly-owned operating subsidiary of EXXI Gulf Coast, Inc. that is the tenant under Grand Isle Corridor's triple-net lease of the Grand Isle Gathering System

FASB: Financial Accounting Standards Board

FERC: Federal Energy Regulatory Commission

Four Wood Corridor: Four Wood Corridor, LLC, a wholly-owned subsidiary of CorEnergy

Four Wood Energy: Four Wood Energy Partners LLC, a wholly-owned subsidiary of Four Wood Capital Partners LLC

Four Wood Notes: the financing notes between Four Wood Corridor and Corridor Private and SWD

GAAP: U.S. generally accepted accounting principles

GIGS: the Grand Isle Gathering System, owned by Grand Isle Corridor, LP and triple-net leased to a wholly-owned subsidiary of Energy XXI Gulf Coast, Inc.

GOM: Gulf of Mexico

Grand Isle Corridor: Grand Isle Corridor, LP, an indirect wholly-owned subsidiary of the Company

Grand Isle Gathering System: a subsea midstream pipeline gathering system located in the shallow Gulf of Mexico shelf and storage and onshore processing facilities

Grand Isle Lease Agreement: the June 2015 agreement pursuant to which the Grand Isle Gathering System assets are triple-net leased to EXXI Tenant

Indenture: collectively, that certain Base Indenture, dated June 29, 2015, as supplemented by the related First Supplemental Indenture, dated as of June 29, 2015, between the Company and Computershare Trust Company, N.A., as Trustee for the Convertible Notes

IRS: U.S. Internal Revenue Service

Leeds Path West: Corridor Leads Path West, Inc., a wholly-owned subsidiary of CorEnergy

Lightfoot: collectively, Lightfoot Capital Partners, LP and Lightfoot Capital Partners GP LLC

Management Agreement: references to the Management Agreement as in effect prior to May 1, 2015 mean the Management Agreement that became effective July 1, 2013, as amended effective January 1, 2014, while references to the Management Agreement as in effect on and after May 1, 2015 mean the new Management Agreement entered into May 8, 2015, effective as of May 1, 2015, between the Company and Corridor

MMBtu: Million British Thermal Units, a measurement of natural gas

MoGas: MoGas Pipeline LLC, an indirect wholly-owned subsidiary of CorEnergy

MoGas Pipeline System: an approximately 263-mile interstate natural gas pipeline system in and around St. Louis and extending into central Missouri, owned and operated by MoGas

MoGas Revolver: a $3 million secured revolving line of credit facility at the MoGas subsidiary level with Regions Bank

Mowood: Mowood, LLC, an indirect wholly-owned subsidiary of CorEnergy and the holding company of Omega Pipeline Company, LLC

Mowood/Omega Revolver: a $1.5 million secured revolving line of credit facility at the Mowood subsidiary level with Regions Bank

NAREIT: National Association of Real Estate Investment Trusts

Table of Contents Index to Financial Statements Glossary of Defined Terms

GLOSSARY OF DEFINED TERMS

Omega: Omega Pipeline Company, LLC, a wholly-owned subsidiary of Mowood, LLC
Omega Pipeline: Omega's natural gas distribution system in south central Missouri
OCS: the Outer Continental Shelf
Pinedale Credit Facility: a $70 million secured term credit facility, with the Company and Prudential as current lenders, used by Pinedale Corridor, LP to finance a portion of the acquisition of the Pinedale LGS. See Note 12, Credit Facilities, for a more in-depth discussion of this agreement.
Pinedale LGS: the Pinedale Liquids Gathering System, a system consisting of approximately 150 miles of pipelines and four above-ground central gathering facilities located in the Pinedale Anticline in Wyoming, owned by Pinedale LP and triple-net leased to a wholly-owned subsidiary of Ultra Petroleum
Pinedale Lease Agreement: the December 2012 agreement pursuant to which the Pinedale LGS assets are triple-net leased to a wholly owned subsidiary of Ultra Petroleum
Pinedale LP: Pinedale Corridor, LP
Pinedale GP: the general partner of Pinedale LP
Portland Lease Agreement: the January 2014 agreement pursuant to which the Portland Terminal Facility is triple-net leased to Arc Terminals, a wholly owned subsidiary of Arc Logistics Partners LP
Portland Terminal Facility: a petroleum products terminal located in Portland, Oregon
PNM: Public Service Company of New Mexico, a subsidiary of PNM Resources Inc. (NYSE: PNM)
PNM Lease Agreement: a triple-net lease agreement for the Eastern Interconnect Project
Prudential: The Prudential Insurance Company of America
PV-10 Value: the indicated value of a company’s oil and gas reserves for disclosure in filings with the SEC. It represents the present value of estimated future oil and gas revenues, net of estimated direct expenses, discounted at an annual discount rate of 10%.
QDI: qualified dividend income
REIT: real estate investment trust
SEC: Securities and Exchange Commission
Series A Preferred: the Company's 7.375% Series A Cumulative Redeemable Preferred Stock, par value $0.001 per share, of which there currently are outstanding 22,500 shares represented by 2,250,000 depositary shares, each representing 1/100th of a whole share of Series A Preferred
SWD: SWD Enterprises, LLC, a wholly-owned subsidiary of Four Wood Energy Partners, LLC
Tcfe: one trillion cubic feet of natural gas equivalent
TRS: taxable REIT subsidiary
Ultra Petroleum: Ultra Petroleum Corp. (OTC Pink: UPLMQ)
Ultra Wyoming: Ultra Wyoming LGS LLC, an indirect wholly-owned subsidiary of Ultra Petroleum
United Property Systems: United Property Systems, LLC, an indirect wholly-owned subsidiary of CorEnergy, acquired with the MoGas transaction in November 2014
VIE: Variable Interest Entity
VantaCore: VantaCore Partners LP
WTI: West Texas Intermediate, grade of crude oil used for benchmarking price

ITEM 1. BUSINESS

GENERAL

CorEnergy Infrastructure Trust, Inc. ("CorEnergy") was organized as a Maryland corporation and commenced operations on December 8, 2005. As used in this report, the terms "we", "us", "our" and the "Company" refer to CorEnergy and its subsidiaries. Please refer to the Glossary of Defined Terms presented at the beginning of Part 1 for definitions of additional capitalized terms and abbreviations used in this report. Prior to 2011 we operated as a business development company under the name Tortoise Capital Resources Corporation and invested primarily in securities of privately held and micro-cap public companies operating in the U.S. energy sector. In April 2011, we withdrew our election to be treated as a business development company. We do not plan on making additional investments in securities (other than short-term, highly liquid investments to be held pending acquisition of real property assets and, in certain cases, equity securities related to an underlying real property investments) and intend to liquidate our legacy private securities investments in an orderly manner. We elected REIT status for U.S. federal income tax purposes, commencing with calendar year 2013. Our REIT election, assuming continuing compliance with the then applicable qualification tests, will continue in effect for subsequent taxable years.

COMPANY OVERVIEW

CorEnergy primarily owns assets in the U.S. energy sector that perform utility-like functions, such as pipelines, storage terminals, rail terminals and gas and electric transmission and distribution assets. Our objective is to provide shareholders with a stable and growing cash dividend, supported by long-term contracted revenue from operators of our assets, primarily under triple-net participating leases. These leases generate stable cash flows without direct commodity price exposure. We believe our leadership team's energy and utility expertise provides CorEnergy with a competitive advantage to acquire, own and lease U.S. energy infrastructure assets in a tax-efficient, transparent, investor-friendly REIT. We meet the capital needs of companies in the U.S. energy infrastructure sector because we are a passive, long-term partner using our management's extensive industry knowledge to customize our long-term leases and structured financings. Our leadership team also has extensive insight on the broad universe of assets that may be owned by a REIT and utilizes a disciplined investment philosophy developed through an average of over 24 years of relevant industry experience.

We expect our leases to provide us with contracted base rent, plus participating rent based upon asset-specific criteria. The energy industry commonly employs contracts with participating features, and we provide exposure to both the risk and opportunity of utilization of our assets, which we believe is a hallmark of infrastructure assets of all types. Our participating triple-net leases require the operator to pay all expenses of the business including maintaining our assets in good working order.

The majority of our assets leased to tenants under triple-net leases are dependent upon the tenants' exploitation of hydrocarbon reserves in the fields where our assets are located. These reserves are depleted over time, and therefore, may economically diminish the value of our assets over the period that the underlying reserves are exploited. Accordingly, we expect the contracted base rents under these leases, including fair market renewal rent expectations, to provide for a return on capital, as well as a return of capital, over the life of the asset. The portion of rents we believe to constitute return of capital are utilized for debt repayment and/or are reserved for capital reinvestment activities in order to maintain the Company's long-term earnings and dividend paying capacity. The return on capital is that portion of rents which are available for distribution to our shareholders through dividend payouts.

Base rents under our leases are structured on an estimated fair market value rent structure over the initial term, which includes assumptions related to the terminal value of our assets and expectations of tenant renewals. At the conclusion of the initial lease term, our leases generally contain fair market value repurchase options or fair market rent renewal terms. These clauses also act as safeguards against our tenants pursuing activities which would undermine or degrade the value of our assets faster than the underlying reserves are depleted. Our participating rents are structured to provide exposure to the commercial activity of the tenant, and as such, also provide protection in the event that the economic life of our assets is reduced based on accelerated production by our tenants.

Our assets are primarily mission-critical to our customers, in that utilization of our assets is necessary for the business they seek to conduct and their rental payments are an essential operating expense. For example, our crude oil gathering system assets are necessary to the exploitation of upstream crude oil reserves, so the operators' lease of those assets is economically critical to their operations. Some of our assets are subject to rate regulation by FERC or state public utility commissions. Further, energy infrastructure assets are an essential and growing component of the U.S. economy that give us the opportunity to assist the capital expansion plans and meet the capital needs of various midstream and upstream participants.

We intend to distribute substantially all of our cash available for distribution, less prudent reserves, on a quarterly basis. CorEnergy targets dividend growth of 1-3% annually from existing contracts through inflation escalations and participating rents and additional growth from acquisitions. Based on low inflation and current production levels, the Company is not anticipating significant inflation-based or participating rents in 2017. Since qualifying as a REIT in 2013, we have grown our annualized dividend from $2.50 per share to $3.00 per share. Our management contract includes incentive provisions, aligning our leadership team with our stockholders' interests in raising the dividend only if we believe the rate is sustainable.

2016 Highlights

2016 proved to be a challenging year in the energy industry, largely driven by volatility in commodity prices. This resulted in a number of North American oil and gas producers filing for bankruptcy protection during the year, including the parent companies of two of our lease tenants. Our 2016 year was highlighted by enduring these bankruptcy proceedings while our tenants remained current on their monthly rents. These and other key transactions and events during our fiscal year ended December 31, 2016, as well as subsequent to year end but prior to the filing of this report, are highlighted below:

During the fiscal year ended December 31, 2016

- In January 2016, the Department of Defense awarded Omega Pipeline Company, LLC a new, 10-year agreement with very similar terms and conditions as the previous agreements to continue providing natural gas and gas distribution services through January 31, 2026.
- On March 30, 2016, we refinanced our share of the Pinedale Credit Facility using funds drawn from the CorEnergy Revolver.
- On April 1, 2016, we received the final $1.4 million distribution from escrow, related to the November 2014 sale of VantaCore.
- During May 2016, we repurchased a total of $1 million of the Convertible Notes in the open market.
- On June 16, 2016, we sold substantially all of the foreclosed assets of Black Bison Water Services and its subsidiaries to Expedition Water Solutions for a combination of $1 million in cash plus an earn-out of up to $6.5 million in royalty payments.
- During the second quarter of 2016, we repurchased 90,613 common shares for a total of $2 million.
- Effective October 1, 2016, a portion of the Four Wood Financing Notes with SWD Enterprises was restructured.
- On November 28, 2016, the US Bankruptcy Court approved Ultra Petroleum's assumption of the Pinedale LGS Lease Agreement with no economic changes. Ultra Petroleum declared bankruptcy in April 2016 and has remained timely on its rent payments throughout the bankruptcy proceedings.
- On December 30, 2016, Energy XXI announced that it had completed its reorganization under Chapter 11 of the US Bankrputcy Code with the succeeding company named Energy XXI Gulf Coast, Inc. This followed the declaration of bankruptcy in April 2016. Our tenant of the Grand Isle Gathering System remained outside the bankruptcy process and continued to make timely rent payments throughout the bankruptcy proceedings.

Significant 2017 Developments

- Effective March 1, 2017, MoGas entered into a long-term firm transportation services agreement with its largest customer, Laclede Gas Company ("Laclede"). The agreement, which amends a prior agreement, extends the termination date for Laclede's existing firm transportation services agreement from October 31, 2017 to October 31, 2030. Tariff rates under the extended agreement will be discounted beginning on November 1, 2018.

For additional details, see "Recent Transactions" below.

Assets

Most of our REIT qualifying and other energy infrastructure assets have been acquired at various times since June, 2011, while our legacy private equity investments generally have been liquidated in accordance with the plans of those entities. Our business currently consists of the assets summarized below. For additional details concerning our energy infrastructure real property, see "Item 2 - Properties" in this report.

Energy Infrastructure Real Property Investments

- Grand Isle Gathering System: a subsea, midstream 153-mile pipeline system located in the Gulf of Mexico and a 16-acre onshore terminal facility triple-net leased on a long-term basis to a subsidiary of EXXI, pursuant to the Grand Isle Lease Agreement. The EXXI Tenant’s obligations under the lease agreement are guaranteed by EXXI.
- Pinedale LGS: a system consisting of approximately 150 miles of pipelines and four above-ground central gathering facilities located in the Pinedale Anticline in Wyoming triple-net leased on a long-term basis to a subsidiary of, and guaranteed by, Ultra Petroleum Corp. and Ultra Resources, Inc. pursuant to the Pinedale

Lease Agreement.

- Portland Terminal Facility: a petroleum products terminal located in Portland, Oregon, which is triple-net leased on a long-term basis to Arc Terminals pursuant to the Portland Lease Agreement, and Arc Terminals has authority to operate the Portland Terminal Facility. The Portland Lease Agreement is guaranteed by Arc Logistics.
- MoGas Pipeline System: MoGas is the owner and operator of the MoGas Pipeline System, an approximately 263 mile FERC-regulated interstate natural gas pipeline in and around St. Louis and extending into central Missouri.
- Omega Pipeline: Omega Pipeline Company, LLC is a natural gas service provider located primarily on the US Army's Fort Leonard Wood military post in south-central Missouri.

Energy Infrastructure Financing Investments

We have provided financing loans to owners and operators of energy infrastructure real property assets, secured by such assets and related equipment, as well as by the outstanding equity of the borrowers. These loans include participating features pursuant to which we may receive additional interest tied to increases in utilization of the underlying facilities, and one also includes an equity enhancement. See the section titled "Asset Portfolio and Related Developments" in Item 7 and Note 4 of the Notes to the Consolidated Financial Statement included in this report for additional information concerning these investments.

Private Equity Investments

Our legacy private equity investments generally have been liquidated in accordance with the plans of those entities. For additional information, see “Private Security Assets” under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K.

Acquisition Strategies and Due Diligence

We generally rely on our own analysis to determine whether to make an acquisition. In evaluating net lease transactions, we generally consider, among other things, the following aspects of each transaction:

- Tenant/Borrower Evaluation – We evaluate each potential tenant or borrower for its creditworthiness, typically considering factors such as management experience, industry position and fundamentals, operating history, and capital structure, as well as other factors that may be relevant to a particular acquisition. We seek opportunities in which we believe the tenant may have a stable or improving credit profile or credit potential that has not been recognized by the market. In evaluating a possible investment, the creditworthiness of a tenant or borrower often will be balanced with the value of the underlying real estate, particularly if the underlying property is specifically suited to the needs of the tenant. Whether a prospective tenant or borrower is creditworthy will be determined by our management team and reviewed by the investment committee, as described below. Creditworthy does not necessarily mean “investment grade.”
- Importance to Tenant/Borrower Operations – We generally will focus on properties that we believe are essential or important to the ongoing operations of the tenant. We believe that this type of property will provide a relatively low risk of loss in the case of a potential bankruptcy or abandonment scenario since a tenant/borrower is less likely to risk the loss of a critically important lease or property. Additionally we focus on assets which are necessary for the economic production of hydrocarbon resources, and which would remain necessary to any owner of the assets.
- Diversification – We attempt to diversify our portfolio to avoid dependence on any one particular tenant, borrower, collateral type, and geographic location within the U.S. or tenant/borrower industry. By diversifying, we seek to reduce the adverse effect of a single under-performing investment or a downturn in any particular asset or geographic region within the U.S.
- Lease Terms – Generally, the net leased properties we will acquire will be leased on a full recourse basis to the tenants or their affiliates. In addition, we generally will seek to include a clause in each lease that provides for increases in rent over the term of the lease. These increases are fixed or tied generally to increases in indices such as the CPI. The lease will also generally seek to provide for participation in gross revenues of the tenant at the property, thereby providing exposure to the commercial activity of the tenant. Alternatively, a lease may provide for mandated rental increases on specific dates, and we may adopt other methods in the future.
- Asset Evaluation – We review the physical condition of the property and assess the likelihood of replacing the rental payment stream if the tenant defaults. We also generally engage a third party to conduct, or require the seller to conduct a preliminary examination, or Phase 1 assessment, of the site to determine the potential for contamination or

similar environmental site assessments in an attempt to identify potential environmental liabilities associated with a property prior to its acquisition.

- Transaction Provisions to Enhance and Protect Value – We attempt to include provisions in the leases that we believe may help protect a real property asset from changes in the operating and financial characteristics of a tenant that may

9

affect its ability to satisfy its obligations or reduce the value of the real property asset. Such provisions include requiring our consent to specified tenant activity, requiring the tenant to provide indemnification protections, and requiring the tenant to utilize good operating practices consistent with objective criteria. We seek to enhance the likelihood of a tenant's lease obligations being satisfied through a guaranty of obligations from the tenant's corporate parent or other entity or a letter of credit. In addition, in some circumstances, we may provide tenants with repurchase options on the leased property. We expect, in those situations that the option purchase price will generally be the greater of the contract purchase price or the fair market value of the property at the time the option is exercised.

- Equity Enhancements – We may attempt to obtain equity enhancements in connection with transactions. These equity enhancements may involve warrants exercisable at a future time to purchase stock of the tenant or borrower or their parent. If warrants are obtained, and become exercisable, and if the value of the stock subsequently exceeds the exercise price of the warrant, equity enhancements can help achieve the goal of increasing investor returns.
- Other Real Estate Related Assets – As other opportunities arise, we may also seek to expand the portfolio to include other types of real estate-related investments, in all cases within the energy infrastructure sector, such as:
- equity investments in real properties that are not long-term net leased to a single-tenant and may include partially leased properties, undeveloped properties and properties subject to short-term net leases, among others;
- mortgage loans secured by real properties including loans to our taxable REIT subsidiaries;
- subordinated interests in first mortgage real estate loans, or B-notes;
- mezzanine loans related to real estate, which are senior to the borrower's equity position but subordinated to other third-party financing; and
- equity and debt securities (including preferred equity, limited partnership interests, trusts and other higher-yielding structured debt and equity investments) issued by companies that are engaged in real-estate-related businesses as defined by regulations promulgated under the Code, including other REITs.

Use of Taxable REIT Subsidiaries

We operate as a REIT and therefore are generally not subject to U.S. federal income taxes on the income and gains that we distribute to our stockholders, including the income derived through leasing fees and financing revenue from our REIT qualifying investment in energy infrastructure assets. However, even as a REIT, we remain obligated to pay income taxes on earnings from our taxable REIT subsidiaries. The use of TRSs enables us to own certain assets and engage in certain businesses while maintaining compliance with the REIT qualification requirements under the Code. We may, from time to time, change the election of previously designated TRSs to be treated as qualified REIT subsidiaries, and may reorganize and transfer certain assets or operations from our TRSs to other subsidiaries, including qualified REIT subsidiaries.

Regulatory and Environmental Matters

Our energy infrastructure assets and operations, as well as those of our tenants, are subject to numerous federal, state and local laws and regulations concerning the protection of public health and safety, zoning and land use, and pricing and other matters related to certain of our business operations. For a discussion of the current effects and potential future impacts of such regulations on our business and properties, see the discussion presented in Item 1A of this report under the subheading "Risks Related to Our Investments in Real Estate and the U.S. Energy Infrastructure Sector." In particular, for a discussion of the current and potential future effects of compliance with federal, state and local environmental regulations, see the discussion titled "Costs of complying with governmental laws and regulations, including those relating to environmental matters, may adversely affect our income and the cash available for distribution" within such section.

Financing Strategies

Consistent with our asset acquisition policies, we use leverage when available on terms we believe are favorable. The amount of leverage that we may employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing. Although we currently do not anticipate doing so, the amount of total funded debt leverage we employ may exceed 50 percent of our total assets. Secured loans which we obtain, could be recourse or non-recourse to us. A lender on non-recourse mortgage debt generally has recourse only to the property collateralizing such debt and not to any of our other assets, while full recourse financing would give the lender recourse to all of our assets. The use of non-recourse debt, helps us to limit the exposure of all of our assets to any one debt obligation. Lenders may, however, have recourse to our other assets in limited circumstances not related to the repayment of the indebtedness, such as under an environmental indemnity. We may have an unsecured line of credit that can be used in connection with refinancing existing debt and making new acquisitions, as well as to meet other working capital needs. We intend to incur debt which bears interest at fixed rates, or is effectively converted to fixed rates through interest rate caps or swap agreements.

Competition

We compete with public and private funds, commercial and investment banks and commercial financing companies to make the types of investments that we plan to make in the U.S. energy infrastructure sector. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. For example, some competitors may have a lower cost of funds and access to a greater variety of funding sources than are available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, allowing them to consider a wider variety of investments and establish more relationships than us. These competitive conditions may adversely affect our ability to make investments in the energy infrastructure sector and could adversely affect our distributions to stockholders.

RECENT TRANSACTIONS

Effective March 1, 2017, MoGas, entered in to a long-term firm transportation services agreement with Laclede, its largest customer. The agreement, which amends a prior agreement, extends the termination date for Laclede's existing firm transportation agreement from October 31, 2017 to October 31, 2030. During the entire extended term, Laclede will continue to reserve 62,800 dekatherms per day of firm transportation capacity on MoGas. This service will continue at the full tariff rate of $12.385 per dekatherm per month until October 31, 2018, at which time the rate will be reduced to $6.386 per dekatherm per month for the remainder of the agreement.

The amended contract was negotiated in response to changing market conditions affecting the midcontinent gas supply. In January 2017, the Rockies Express Pipeline LLC ("REX") announced the completion of its pipeline capacity enhancement project, which allows it to flow less expensive natural gas from the Appalachian Basin westward to its Zone 3 delivery points in western Illinois and eastern Missouri. This development, plus additional pipeline and basin developments, has caused gas companies, including MoGas shippers, to consider sourcing supply from REX and the East Coast in place of Rocky Mountain supply. MoGas has a number of opportunities to offset the reduction in revenue from Laclede, including potential pipeline extensions, leveraging its multiple pipeline connections, exploring different supply basin optionality, and other revenue enhancement strategies. Prior to the November 1, 2018 effective date of the reduced rate with Laclede, MoGas intends to act upon several of these prospects and the Company believes that through a combination of these opportunities, it will be able to significantly offset the reduction in revenues from Laclede in 2019 and beyond.

MANAGEMENT

Our Manager

We are externally managed by Corridor. Corridor is a real property asset manager with a focus on U.S. energy infrastructure real property assets. Corridor assists us in identifying infrastructure real property asset acquisition opportunities, and is generally responsible for our day-to-day operations.

Corridor Team

Each of our officers is an employee of Corridor or one of its affiliates. Corridor is not obligated to dedicate certain of its employees exclusively to us, nor are it or its employees obligated to dedicate any specific portion of its or their time to our business. As described below, we pay a management fee and certain other fees to Corridor, which it uses in part to pay compensation to its officers and employees who, notwithstanding that some of them also are our officers, receive no cash compensation directly from us.

We pay Corridor a management fee based on total assets under management. Additionally, in aligning our strategy to focus on distributions and distribution growth, Corridor is paid an incentive fee based on increases in distributions to our stockholders. A percentage of the Corridor incentive fee is reinvested in CorEnergy's common stock. Pursuant to a Management Agreement and an Administrative Agreement, Corridor has agreed to use its reasonable best efforts to present us with suitable acquisition opportunities consistent with our investment objectives and policies and is generally responsible, subject to the supervision and review of our Board of Directors, for our day-to-day operations.

Energy Infrastructure Real Property Asset Management

The Corridor team has experience across several segments of the energy sector and is primarily responsible for investigating, analyzing and selecting potential infrastructure asset acquisition opportunities. Acquisitions and transactions are submitted to our Board of Directors for final approval following a recommendation from the

management team.
We believe that effective management of our assets is essential to maintain and enhance property values. Important aspects of asset management include restructuring transactions to meet the evolving needs of current tenants, re-leasing properties, refinancing debt, selling properties and knowledge of the bankruptcy process.

We monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors that could affect the financial performance of any of our properties. Monitoring involves receiving assurances that each tenant has paid real estate taxes, assessments and other expenses relating to the properties it occupies and confirming that appropriate insurance coverage is being maintained by the tenant. We review financial statements of tenants and undertake regular physical inspections of the condition and maintenance of properties. In addition, we periodically analyze each tenant's financial condition and the industry in which each tenant operates.

Private Investment Monitoring

We monitor our private investments to determine progress relative to meeting the Company's business plan and to assess the Company's strategic and tactical courses of action. This monitoring is accomplished by attendance at Board of Directors meetings, ad hoc communications with portfolio company management, the review of periodic operating and financial reports, an analysis of relevant reserve information and capital expenditure plans, and periodic consultations with engineers, geologists, and other experts. The performance of each private portfolio company is also periodically compared to performance of similarly sized companies with comparable assets and businesses to assess performance relative to peers. Corridor's monitoring activities are expected to provide us with information that will enable us to monitor compliance with existing covenants.

Management Agreement

Under our Management Agreement, Corridor (i) presents the Company with suitable acquisition opportunities consistent with the investment policies and objectives of the Company, (ii) is responsible for the day-to-day operations of the Company, and (iii) performs such services and activities relating to the assets and operations of the Company as may be appropriate. The Management Agreement does not have a specific term, and will remain in place unless terminated by the Company or the Manager in the manner permitted pursuant to the agreement.

The terms of the Management Agreement include a quarterly management fee equal to 0.25 percent (1.00 percent annualized) of the value of the Company's Managed Assets as of the end of each quarter. For purposes of the Management Agreement, "Managed Assets" means the total assets of the Company (including any securities receivables, other personal property or real property purchased with or attributable to any borrowed funds) minus (A) the initial invested value of all non-controlling interests, (B) the value of any hedged derivative assets, (C) any prepaid expenses, and (D) all of the accrued liabilities other than (1) deferred taxes and (2) debt entered into for the purpose of leverage. For purposes of the definition of Managed Assets, the Company's securities portfolio will be valued at then-current market value. For purposes of the definition of Managed Assets, other personal property and real property assets will include real and other personal property owned and the assets of the Company invested, directly or indirectly, in equity interests in or loans secured by real estate or personal property (including acquisition-related costs and acquisition costs that may be allocated to intangibles or are unallocated), valued at the aggregate historical cost, before reserves for depreciation, amortization, impairment charges or bad debts or other similar noncash reserves.

The Management Agreement includes a quarterly incentive fee of 10 percent of the increase in distributions paid over a threshold distribution equal to $0.625 per share per quarter. The Management Agreement also requires at least half of any incentive fees to be reinvested in the Company's common stock.

During the year ended December 31, 2016, the Company and the Manager agreed to the following modifications to the fee arrangements described above:

- In light of the provisions for loan losses recognized by the Company on certain of its energy infrastructure financing investments (collectively, the "Underperforming Loans") during 2015 and the first quarter of 2016, the Manager voluntarily recommended, and the Company agreed, that effective on and after the Company's March 31, 2016 balance sheet date, solely for the purpose of computing the value of the Company's Managed Assets in calculating the quarterly management fee under the terms of the Management Agreement, that portion of the Management Fee attributable to the Company's investment in the Underperforming Loans would be based on the estimated net realizable value of such loans, not to exceed the amount invested in the Underperforming Loans as of the end of the quarter for which the Management Fee is calculated. This agreement superseded a prior agreement between the Company and the Manager, which was effective as of September 30, 2015, concerning valuation of the Black Bison Loans for purposes of calculating the Management Fee.

- The Manager voluntarily recommended, and the Company agreed, that the Manager would waive $88 thousand of the $595 thousand total quarterly incentive fees that would otherwise have been payable under the provisions described above with respect to dividends paid on the Company's common stock during the year ended December 31, 2016, and accordingly the Manager received an incentive fee of $507 thousand during the year.

12

Administrative Agreement
Under our Administrative Agreement, Corridor, as our administrator, performs (or oversees or arranges for the performance of) the administrative services necessary for our operation, including without limitation providing us with equipment, clerical, bookkeeping and record keeping services. For these services we pay our administrator an annual fee equal to 0.04 percent of the value of the Company’s Managed Assets as of the end of each quarter, with a minimum annual fee of $30 thousand.
Pursuant to the Management and Administrative Agreement, Corridor furnishes us with office facilities and clerical and administrative services necessary for our operation (other than services provided by our custodian, accounting agent, dividend and interest-paying agent and other service providers). Corridor is authorized to enter into agreements with third parties to provide such services. To the extent we request, Corridor will (i) oversee the performance and payment of the fees of our service providers and make such reports and recommendations to the Board of Directors concerning such matters as the parties deem desirable, (ii) respond to inquiries and otherwise assist such service providers in the preparation and filing of regulatory reports, proxy statements, and stockholder communications, and the preparation of materials and reports for the Board of Directors; (iii) establish and oversee the implementation of borrowing facilities or other forms of leverage authorized by the Board of Directors and (iv) supervise any other aspect of our administration as may be agreed upon by us and Corridor. We have agreed, pursuant to the Management Agreement, to reimburse Corridor for all out-of-pocket expenses incurred in providing the foregoing.
We bear all expenses not specifically assumed by Corridor and incurred in our operations. The compensation and allocable routine overhead expenses of all management professionals of Corridor and its staff, when and to the extent engaged in providing us management services, is provided and paid for by Corridor and not us.
Employees
As we are externally managed, we have no employees at the corporate level. Our subsidiary, Omega, has one part-time and four full-time employees. Our subsidiary MoGas has 17 full-time employees.
AVAILABLE INFORMATION
Our principal executive offices are located at 1100 Walnut Street, Suite 3350, Kansas City, MO 64106. Our telephone number is (816) 875-3705, or toll-free (877) 699-2677, and our web site is http://corenergy.reit. We are required to file reports, proxy statements and other information with the SEC. We will make available free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports on or through our Web site at http://corenergy.reit as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. This information may also be obtained, without charge, upon request by calling us at (816) 875-3705 or toll-free at (877) 699-2677. This information will also be available at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed by us with the SEC which is available on the SEC’s Internet site at www.sec.gov. Please note that any Internet addresses provided in this Form 10-K are for informational purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such Internet address is intended or deemed to be included by reference herein.
ITEM 1A. RISK FACTORS
There are many risks and uncertainties that can affect our future business, financial performance or share price. Many of these are beyond our control. A description follows of some of the important factors that could have a material negative impact on our future business, operating results, financial condition or share price. This discussion includes a number of forward-looking statements. You should refer to the description of the qualifications and limitations on forward-looking statements in the first paragraph under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K.
Risks Related to Our Investments in Real Estate and the U.S. Energy Infrastructure Sector
Risks Related to Our Two Largest Investments
The Grand Isle Gathering System and the Pinedale LGS constitute the largest components of our leased infrastructure real property assets and associated lease revenues and will materially impact the results of our business.

The Grand Isle Gathering System represented approximately 38 percent of our total assets as of December 31, 2016 and December 31, 2015, respectively, and the lease under the Grand Isle Lease Agreement with the EXXI Tenant represented approximately 46 percent and 29 percent of our total revenue for the year ended December 31, 2016, and the year ended December 31, 2015, respectively. The Pinedale LGS represented approximately 30 percent of our total assets as of both December 31, 2016, and December 31, 2015, and the lease payments under the Pinedale Lease Agreement with Ultra Wyoming represented approximately 23 percent and 29 percent of our total revenue for the year ended December 31, 2016, and the year ended December 31, 2015, respectively. Accordingly, the financial condition of these tenants and related parent guarantors and the ability and willingness of each to satisfy their obligations under the respective lease agreements and guaranties will have an ongoing material impact on our results of operations, ability to service our indebtedness and ability to make distributions.

EXXI, the corporate parent and guarantor of the obligations of EXXI Tenant under the Grand Isle Lease Agreement and certain entities affiliated with it filed for bankruptcy on April 14, 2016. The EXXI Tenant did not file for bankruptcy. On December 13, 2016, EXXI announced the confirmation of its Plan of Reorganization by the bankruptcy court and, effective December 30, 2016, EXXI emerged from its bankruptcy reorganization under the successor company name Energy XXI Gulf Coast, Inc., and we entered into related agreements effective December 30, 2016 pursuant to which the new EXXI entity succeeded to the rights and obligations of pre-bankruptcy EXXI under the original purchase agreement for the GIGS and as guarantor of the obligations of our tenant under the Grand Isle Lease Agreement. All payments due to us from the EXXI Tenant were timely paid throughout the bankruptcy proceedings.

Ultra Wyoming, the lessee of the Pinedale LGS, as well as Ultra Petroleum and Ultra Resources, the guarantors of Ultra Wyoming's obligations as tenant under the Pinedale Lease Agreement, each filed for bankruptcy on April 29, 2016. All payments due to us under the Pinedale Lease Agreement have been timely paid.

On August 30, 2016, we filed proofs of claim with the bankruptcy court handling the Ultra Petroleum bankruptcies. These filings were made prior to the September 1, 2016 deadline for proofs of claim to be filed and were intended to protect the interests of CorEnergy shareholders based on certain rights granted under guarantee and indemnification provisions in the lease.

On September 20, 2016, we filed a motion to dismiss the tenant, Ultra Wyoming, from the Ultra Petroleum bankruptcy process based on our belief in the tenant's solvency. In a responsive bankruptcy filing, Ultra Petroleum disclosed an alternative to our Pinedale LGS that it acquired when it bought upstream reserves from Shell in 2014 and indicated that it could move production off our system to the alternative system with a relatively small capital investment. Ultra Petroleum later acknowledged that losing access to the Pinedale LGS due to lease rejection would cost hundreds of millions of dollars in foregone revenue and that cost estimates related to switching to the alternate system did not include payment of any damages to us which may result from such actions. On November 11, 2016, Ultra Petroleum's subsidiary which is our tenant under the Pinedale Lease Agreement, agreed to assume such lease without amendment, and to allow Pinedale LP's proof of claim for attorney's fees, through a motion filed with the bankruptcy court. In exchange, the Company agreed to withdraw its other proofs of claim and its motion to dismiss the Pinedale LGS tenant from the Ultra Petroleum bankruptcy proceedings. The Company maintains its right to assert claims in the future to protect the value of the Pinedale LGS. These agreements were approved by the bankruptcy court on November 28, 2016.

Information about the EXXI bankruptcy and a complete discussion of the risks related to EXXI's business can be found in Energy XXI Ltd (pre-emergence) and Energy XXI Gulf Coast, Inc. (post-emergence) Exchange Act reports filed with the SEC. Current information about the Ultra Petroleum bankruptcy and a complete discussion of the risks related to Ultra Petroleum's business can be found in its Exchange Act reports filed with the SEC.

Additional Risks Related to Our Real Estate and Energy Infrastructure Investments

Our focus on the energy infrastructure sector will subject us to more risks than if we were broadly diversified.

Because we specifically focus on the energy infrastructure sector, investments in our common stock may present more risks than if we were broadly diversified over numerous sectors of the economy. Therefore, a downturn in the U.S. energy infrastructure sector would have a larger impact on our assets and performance than on a company that does not concentrate in one sector of the economy. The energy infrastructure sector can be significantly affected by the supply of and demand for specific products and services; the supply and demand for crude oil, natural gas, and other energy commodities; the price of crude oil, natural gas, and other energy commodities; exploration, production and other capital expenditures; government regulation; world and regional events, politics and economic conditions.

Production declines and volume decreases could be caused by various factors, including decreased access to capital or loss of economic incentive to drill and complete wells, depletion of resources, catastrophic events affecting production, labor difficulties, political events, OPEC actions, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, failure to obtain necessary permits, unscheduled outages, unanticipated expenses, inability to successfully carry out new construction or acquisitions, import or export supply and demand disruptions, or increased competition from alternative energy sources.

We are subject to risks involved in single tenant leases.

A significant portion of our acquisition activities are focused on real properties that are triple-net leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease: (i) is likely to cause a significant reduction in the operating cash flow generated by the property leased to that tenant, (ii) might decrease the value of that property, and (iii) could expose us to 100 percent of all applicable operating costs.

In addition, if we determine that a renewal of a lease with any present or future tenant of any of our energy infrastructure assets is not in the best interests of our stockholders, if a tenant determines it no longer wishes to be the tenant under a lease upon its expiration, if we desire to terminate a lease as a result of a breach of that lease by the tenant or if we lose any tenant as a result of such tenant's bankruptcy, then in each circumstance we would need to identify a new tenant for the lease. We may not be able to identify a new tenant, as interest in leasing certain of our assets would be dependent on ownership of an interest in nearby mineral rights. In addition, any new tenant would need to be a qualified and reputable operator of such energy infrastructure assets with the wherewithal and capability of acting as our tenant. There is no assurance that we would be able to identify a tenant that meets these criteria, or that we could enter into a new lease with any such tenant on terms that are as favorable as the lease terms that were in place with the prior tenant.

We may be unable to identify and complete acquisitions of real property assets.

Our ability to identify and complete acquisitions of real property assets on favorable terms and conditions are subject to the following risks:

- we may be unable to acquire a desired asset because of competition from other investors with significant capital, including both publicly traded and non-traded REITs and institutional investment funds;
- competition from other investors may significantly increase the purchase price of a desired real property asset or result in less favorable terms;
- we may not complete the acquisition of a desired real property asset even if we have signed an agreement to acquire such real property asset because such agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction; and
- we may be unable to finance acquisitions of real property assets on favorable terms or at all.

Net leases may not result in fair market lease rates over time.

We expect a large portion of our future income to come from net leases. Net leases typically have longer lease terms and, thus, there is an increased risk that if market rental rates increase in future years, the rates under our net leases will be less than fair market rental rates during those years. As a result, our income and distributions could be lower than they would otherwise be if we did not engage in net leases. We generally will seek to include a clause in each lease that provides increases in rent over the term of the lease, as well as participating features based on increases in the tenant's utilization of the underlying asset, but there can be no assurance we will be successful in obtaining such a clause.

If a tenant becomes insolvent or declares bankruptcy and such action results in a rejection of the lease, or in the sale-leaseback transaction being challenged as a fraudulent transfer or re-characterized in the lessee company's bankruptcy proceeding, our business, financial condition and cash flows could be adversely affected.

We enter into sale-leaseback transactions, whereby we purchase an energy infrastructure property and then simultaneously lease the same property back to the seller. If a lessee company becomes insolvent or declares bankruptcy, our business could be adversely affected by one or both of the following:

- A sale-leaseback transaction may be re-characterized as either a financing or a joint venture in a bankruptcy or insolvency proceeding. If the sale-leaseback were re-characterized as a financing, we might not be considered the owner of the subject property, and as a result would have the status of a creditor in relation to the lessee company. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the lessee company for the amounts owed under the lease. Although we believe each of our lease agreements constitutes a true lease that should not be re-characterized, there is no guaranty a court would agree. In the event of re-characterization, our claim under a lease agreement would either be secured or unsecured. We will take steps to create and perfect a security interest in our lease agreement such that our claim would be secured in the event of a re-characterization, but such attempts could be subject to challenge by the debtor or creditors and there is no assurance a court would find our claim to be secured. The lessee company/debtor under this scenario, might have the ability to restructure the terms, interest rate and amortization schedule of its outstanding balance. If approved by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing any lien on the property. If the sale-leaseback were re-characterized as a joint venture, we and the lessee company could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee company relating to the property.

- Subject to the re-characterization risk above, the lessee could either assume or reject the lease in a bankruptcy proceeding. Generally, the lessee would be required to make rent payments to us during its bankruptcy until it rejects the lease (for leases that are personal property leases, the lessee need not make rental payments that arise from the petition date until 60 days after the order for relief is entered in the bankruptcy case). If the lessee assumes the lease, the bankruptcy court would not be able to change the rental amount or any other lease provision that could financially impact us. However, if the lessee rejects the lease, the facility would be returned to us, though there may be a delay as a result of the bankruptcy in such return. If a lease is rejected, we may not be able to identify a new tenant, as interest in leasing certain of our assets would be dependent on ownership of an interest in nearby mineral rights. In addition, any new tenant would need to be a qualified reputable operator of such energy infrastructure assets with the wherewithal and capability of acting as our tenant. There is no assurance that we would be able to identify a tenant that meets these criteria, or that we could enter into a new lease with any such tenant on terms that are as favorable as the lease terms that were in place with the prior tenant. If we were able to re-lease the affected facility to a new tenant only on unfavorable terms or after a significant delay, we could lose some or all of the revenue from that facility for an extended period of time. Further, if the lease agreement is rejected, our claim against the lessee and/or parent guarantor could be subject to a statutory cap under section 502(b)(6) of the Bankruptcy Code to the extent the lease agreement is deemed to be a lease for real property rather than a lease for personal property. Such cap generally limits the amount of a claim for lease-based damages in the event of a rejection to the greater of one year's rent or 15 percent of the rent reserved for the remaining lease term, not to exceed 3 years. We believe that any of our lease agreements would be characterized as a real property lease rather than a personal property lease, though a court could hold to the contrary.

Energy infrastructure companies are and will be subject to extensive regulation because of their participation in the energy infrastructure sector, which could adversely impact the business and financial performance of our tenants and the value of our assets.

Companies in the energy infrastructure sector are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future that likely would increase compliance costs, which could adversely affect the business and financial performance of our tenants in the energy infrastructure sector and the value or quality of our assets.

Costs of complying with governmental laws and regulations, including those relating to environmental matters, may adversely affect our income and the cash available for distribution to our stockholders.

We have invested, and expect to continue to invest, in real property assets, which are subject to laws and regulations relating to the protection of the environment and human health and safety. These laws and regulations generally govern the gathering, storage, handling, and transportation of petroleum and other hazardous substances, the emission and discharge of materials into the environment, including wastewater discharges and air emissions, the operation and removal of underground and aboveground storage tanks, the generation, use, storage, treatment, transportation and disposal of solid and hazardous materials and wastes, and the remediation of any contamination associated with such disposals. We own assets related to the storage and distribution of oil and gas, natural gas and natural gas liquids, and storage and throughput of crude oil, petroleum products and chemicals, which are subject to all of the inherent hazards and risks normally incidental to such assets, such as fires, well site blowouts, cratering and explosions, pipe and other equipment and system failures, uncontrolled flows of oil, gas or well fluids, formations with abnormal pressures, environmental risks and hazards such as gas leaks, oil spills and pipeline ruptures and discharges of toxic gases. Environmental laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. This liability could be substantial. Moreover, if one or more of these hazards occur, there can be no assurance that a response will be adequate to limit or reduce any resulting damage. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings. We also may be required to comply with various local, state and federal fire, health, life-safety and similar regulations.

State and federal laws in this area are constantly evolving, and some environmental laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations, or stricter interpretation of existing laws, may impose material environmental liability and/or require material expenditures by us to avoid such liability. Further, our tenant companies' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties. We intend to monitor these laws and take commercially reasonable steps to protect ourselves from the impact of these laws, including, where deemed necessary, obtaining environmental assessments of properties that we acquire; however, we will not obtain an independent third-party environmental assessment for every property we acquire. In addition, any such assessment that we do obtain may not reveal all environmental liabilities or whether a prior owner of a property created a material environmental condition not known to us.

Failure to comply with applicable environmental, health, and safety laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal fines or penalties, permit revocations, and injunctions limiting or prohibiting some or all of the operations at our facilities. Any material compliance expenditures, fines, or damages we must pay could materially and adversely affect our business, assets or results of operations and, consequently, would reduce our ability to make distributions.

Our operations, as well as those of our tenants, are subject to operational hazards and unforeseen interruptions. If a significant accident or event occurs that results in a business interruption or shutdown for which we or our tenant operators are not adequately insured, such operations and our financial results could be materially adversely affected.

Our assets are subject to many hazards inherent in the transmission of energy products and provision of related services, including:

- aging infrastructure, mechanical or other performance problems;
- damage to pipelines, facilities and related equipment caused by tornadoes, hurricanes, floods, fires and other natural disasters, explosions and acts of terrorism;
- inadvertent damage from third parties, including from construction, farm and utility equipment;
- leaks of natural gas and other hydrocarbons or losses of natural gas as a result of the malfunction of equipment or facilities;
- operator error;
- environmental hazards, such as natural gas leaks, product and waste spills, pipeline and tank ruptures, and unauthorized discharges of products, wastes and other pollutants into the surface and subsurface environment, resulting in environmental pollution; and explosions.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our or our tenants' related operations or services. A natural disaster or other hazard affecting the areas in which we or our tenants operate could have a material adverse effect on our operations and the financial results of our business.

Both we and our tenants depend on certain key customers for a significant portion of our respective revenues. The loss of any such key customers could result in a decline in our business.

Both we and our tenants are subject to risks of loss resulting from nonperformance by customers. We depend on certain key customers for a significant portion of our revenues, particularly operating revenues from MoGas. Our tenants are similarly dependent on revenues from key customers to support their operations and ability to make lease payments to us. The loss of all or even a portion of the contracted volumes of such customers, as a result of competition, creditworthiness, inability to negotiate extensions or replacements of contracts or otherwise, could have a material adverse effect on the business, financial condition and results of operations of us or our tenants (as applicable), unless we or they are able to contract for comparable volumes from other customers at favorable rates.

We are exposed to the credit risk of our tenants and customers and our credit risk management may not be adequate to protect against such risk.

We are subject to the risk of loss resulting from nonpayment and/or nonperformance by our tenants and customers. Our credit procedures and policies may not be adequate to fully eliminate such credit risk. If we fail to adequately assess the creditworthiness of existing or future tenants or customers, unanticipated deterioration in their creditworthiness and any resulting increase in nonpayment and/or nonperformance by them and inability to re-market the resulting capacity, or re-lease the underlying assets, could have a material adverse effect on our business, financial condition and results of operations. We may not be able to effectively re-market such capacity, or re-lease such assets, during and after insolvency proceedings involving a tenant or customer.

Our assets and operations, as well as those of our tenants and other investees and customers, can be affected by extreme weather patterns and other natural phenomena.

Our assets and operations, as well as those of our tenants and other investees and customers, can be adversely affected by floods, hurricanes, earthquakes, landslides, tornadoes and other natural phenomena and weather conditions, including extreme or unseasonable temperatures, making it more difficult for us to realize the historic rates of return associated with our assets and operations. These events also could result in significant volatility in the supply of energy and power, which might create fluctuations in commodity prices and earnings of companies in the energy infrastructure sector. A significant disruption in our operations or those of our tenants, investees or customers, or a significant liability for which we or any affected tenant or investee is not fully insured, could have a material adverse effect on our business, results of operations, and financial condition. Moreover, extreme weather events could adversely impact the valuation of our energy infrastructure assets.

The operation of our energy infrastructure assets could be adversely affected if third-party pipelines, railroads or other facilities interconnected to our facilities become partially or fully unavailable.

Our facilities, as well as those of our tenants, may connect to other pipelines, railroads or facilities owned by third parties. Both we and our tenants depend upon third-party pipelines and other facilities that provide delivery options to and from such facilities. For example, MoGas' pipeline interconnects, directly or indirectly, with virtually every major interstate pipeline in the eastern portion of the U.S. and a significant number of intrastate pipelines. Because we do not own these third-party facilities, their continuing operation is not within our control. Accordingly, these pipelines and other facilities may become unavailable, or available only at a reduced capacity. If these pipeline connections were to become unavailable to us or our tenants for current or future volumes of products due to repairs, damage, lack of capacity or any other reason, our ability, or the ability of our tenants, to operate efficiently and continue shipping products to end markets could be restricted, thereby reducing revenues. Likewise, if any of these third-party pipelines or facilities becomes unable to transport any products distributed or transported through our or our tenants' facilities, our or our tenants' business, results of operations and financial condition could be adversely affected, which could adversely affect our ability to make cash distributions to our stockholders.

The relative illiquidity of our real property and energy infrastructure asset investments may interfere with our ability to sell our assets when we desire.

Investments in real property and energy infrastructure assets are relatively illiquid compared to other investments. Accordingly, we may not be able to sell such assets when we desire or at prices acceptable to us in response to changes in economic or other conditions. This could substantially reduce the funds available for satisfying our obligations and for distribution to our stockholders.

Additional Risks Related to the Grand Isle Gathering System and Grand Isle Lease Agreement

Requirements imposed by the BOEM and BSEE related to the decommissioning, plugging, and abandonment of offshore facilities could significantly impact our cost of owning the Grand Isle Gathering System, which could have a material adverse impact on our financial condition and ability to make distributions to our stockholders.

The Bureau of Ocean Management (the "BOEM") issued guidance effective October 15, 2010, following the Deepwater Horizon accident, that effectively established a more stringent regimen for the timely decommissioning of what is known as "idle iron"-wells, platforms and pipelines that are no longer producing or serving exploration or support functions related to an operator's lease-in the GOM. This guidance includes decommissioning requirements providing that pipelines, platforms or other facilities, which would include various components of the Grand Isle Gathering System, that are no longer useful for operations must be removed within five years of the cessation of operations, or as otherwise specified therein. A higher than normal level of decommissioning activity in the GOM at a time when the Grand Isle Gathering System is decommissioned may result in increased demand for salvage contractors and equipment, which in turn could result in increased estimates of plugging, abandonment and removal costs related to these regulatory asset retirement obligations.

To cover these asset retirement obligations, the BOEM generally requires that OCS lessees, pipeline right-of-way holders and other facility owners demonstrate financial strength and reliability according to regulations or post bonds or other acceptable assurances that such obligations will be satisfied. In August 2014, the BOEM issued an Advanced Notice of Proposed Rulemaking in which the agency indicated that it was considering increasing the financial assurance requirements for companies operating assets such as the Grand Isle Gathering System on the OCS. In 2016, the BOEM undertook a review of its historical policies and procedures for determining a lessee's ability to decommission platforms on the OCS and whether lessees should furnish additional security, and in July 2016, the BOEM issued a new Notice to Lessees requiring additional security for decommissioning activities. In January 2017, the BOEM extended the implementation timeline for properties with co-lessees by an additional six months, and in February 2017 announced that, during this six months period, BOEM would continue to review implementation issues and continue industry engagement to gather additional information on the financial assurance program. The cost of these bonds or assurances can be substantial and could increase under the BOEM's latest policies, depending on the outcome of the new administration's review during the extended implementation period. There is no assurance that such bonds or assurances can be obtained in all cases. While EXXI historically has satisfied these requirements with respect to its ownership and operation of the Grand Isle Gathering System, and the terms of the Grand Isle Lease Agreement require EXXI to continue to do so, given continued volatility in commodity prices and the unwillingness of the surety companies to post bonds without the requisite collateral from operators such as EXXI, there is no assurance that EXXI will be able to continue to satisfy the demands for additional collateral for its current bonds or comply with any new supplemental bonding requirements. If EXXI were financially unable to satisfy these requirements, Grand Isle Corridor, LP, as the owner of the Grand Isle Gathering System, would be required to do so. There can be no assurance that we would be able to meet any such increased bonding requirements. Under some circumstances, the BOEM may require any of our or our lessee's operations on federal leases, rights-of-way or facilities to be suspended or terminated. Any such suspension or termination could materially adversely affect our financial condition and results of operations. In addition, the BOEM can require supplemental bonding from operators for decommissioning, plugging, and abandonment liabilities if financial strength and reliability criteria are not met. If EXXI is unable to fund any such supplemental bonding requirements and our subsidiary were required to bear the cost as owner of the Grand Isle Gathering System, such cost could have a material adverse impact on our financial condition and ability to make distributions to our stockholders.

Additional Risks Related to the Pinedale LGS and Pinedale Lease Agreement

We are subject to the risk of Ultra Wyoming transferring its obligations under the Pinedale Lease Agreement.

The terms of the Pinedale Lease Agreement provide that Ultra Wyoming may transfer its rights and obligations under the Pinedale Lease Agreement at any time, subject to certain conditions. We thus bear the risk that Ultra Wyoming will transfer its rights and obligations under the Pinedale Lease Agreement to a third party whose creditworthiness may not be on par with that of Ultra Wyoming, which could inhibit such transferee's ability to make timely lease payments under the Pinedale Lease Agreement or increase the likelihood that a downturn in the business of such transferee could give rise to a default under the Pinedale Lease Agreement. The occurrence of either of these events could have a material adverse impact on our business and financial condition.

The terms of the co-investment in Pinedale LP may limit our ability to take certain actions in the future.

Pinedale GP, our wholly-owned subsidiary, is the general partner of Pinedale LP. Under the Pinedale LP partnership agreement, Pinedale GP is given broad authority to manage the affairs of Pinedale LP and to ensure that Pinedale LP complies with the terms of various agreements to which it is a party, including the Pinedale Lease Agreement and the Pinedale Credit Agreement with the Company and Prudential as the Refinancing Lenders. The Pinedale LP partnership agreement, however, requires the approval of the holder of a majority of a class of limited partner interests (all of which are currently held by Prudential) before certain actions can be taken by Pinedale LP, including granting any consent under the Pinedale Lease Agreement to: extend the term of the Pinedale Lease Agreement; change the methodology of determining the rent; improve the leased property; reduce the present value of rental payments; merge with, or acquire unrelated assets from, a third party; incur debt, or amend the terms of any existing Pinedale LP debt, that would increase that debt above a specified amount; or issue partnership interests with rights superior to those held initially by Prudential. The approval of one or more of the foregoing matters may not be obtained at a time when we believe that an action requiring approval should be taken.

Additional Risks Related to Our Ownership and Operation of MoGas

MoGas' operations are subject to extensive regulation, including those relating to environmental matters, which may adversely affect our income and the cash available for distribution.

In addition to the regulations discussed above and pipeline safety regulations discussed below, MoGas' operations are subject to extensive federal, regional, state and local environmental laws and regulations including, for example, the Clean Air Act (CAA), the Clean Water Act, CERCLA, the Resource Conservation and Recovery Act, OPA, OSHA and analogous state laws. These laws and regulations may restrict or impact MoGas' business activities in many ways, including requiring the acquisition of permits or other approvals to conduct regulated activities, restricting the manner in which it disposes of wastes, requiring remedial action to remove or mitigate contamination, requiring capital expenditures to comply with pollution control requirements, and imposing substantial liabilities for pollution resulting from its operations. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. MoGas may be unable to recover some or all of the resulting costs through insurance or increased revenues, which could have a material adverse effect on its business, results of operations and financial condition.

MoGas' natural gas transmission operations are subject to regulation by the FERC.

MoGas' business operations are subject to regulation by the FERC, including the types and terms of services MoGas may offer to its customers, construction of new facilities, expansion of current facilities, creation, modification or abandonment of services or facilities, record keeping and relationships with affiliated companies. Compliance with these requirements can be costly and burdensome and FERC action in any of these areas could adversely affect

MoGas' ability to compete for business, construct new facilities, expand current facilities, offer new services or recover the full cost of operating its pipelines. This regulatory oversight can result in longer lead times or additional costs to develop and complete any future project than competitors that are not subject to the FERC's regulations.
In addition, the rates MoGas can charge for its natural gas transmission operations are regulated by the FERC pursuant to the Natural Gas Act of 1938 ("NGA") as follows:

- MoGas may only charge rates that have been determined to be just and reasonable by the FERC, subject to a prescribed maximum and minimum, and is prohibited from unduly preferring or unreasonably discriminating against any person with respect to its rates or terms and conditions of service.
- MoGas' existing rates may be challenged in a proceeding before FERC, which may reduce MoGas' rates if it finds the rates are not just and reasonable or are unduly discriminatory. Proposed rate increases may be challenged by protest and allowed to go into effect subject to refund. Even if a rate increase is permitted by the FERC to become effective, the rate increase may not be adequate.

To the extent MoGas' costs increase in an amount greater than its revenues increase, or there is a lag between MoGas' cost increases and its ability to file for and obtain rate increases, MoGas' operating results would be negatively affected.

Should the FERC find that MoGas has failed to comply with all applicable FERC-administered statutes, rules, regulations, and orders, or with the terms of MoGas' tariffs on file with the FERC, MoGas could be subject to substantial penalties and fines. Under the Energy Policy Act of 2005 (“EPAct 2005”), the FERC has civil penalty authority under the NGA and Natural Gas Policy Act of 1978 (“NGPA”) to impose penalties for violations of up to $1.0 million per day for each violation, to revoke existing certificate authority and to order disgorgement of profits associated with any violation.

We cannot give any assurance regarding the likely future regulations under which MoGas will operate its natural gas transmission business or the effect such regulations could have on MoGas' business, financial condition and results of operations.

The revenues of MoGas' business are generated under contracts that are subject to cancellation on an annual basis.

Other than MoGas' revenues from its largest customer, Laclede Gas Company, substantially all of the revenues of MoGas' business are generated under transportation contracts which have an initial term of at least one year and renew automatically on a month-to-month basis, but are subject to cancellation by the customer on 365 days’ notice. If MoGas is unable to succeed in replacing any contracts canceled by local distribution companies (“LDCs”) or other customers that account for a significant portion of its revenues, or in renegotiating such contracts on terms substantially as favorable as the existing contracts, MoGas could suffer a material reduction in its revenues, financial results and cash flows. The maintenance or replacement of existing contracts with MoGas' customers at rates sufficient to maintain current or projected revenues and cash flows ultimately depends on a number of factors beyond its control, including competition from other pipelines, the proximity of supplies to the markets, and the price of, and demand for, natural gas. In addition, changes in state regulation of LDCs may cause them to exercise their cancellation rights in order to turn back their capacity when the contracts expire.

Effective March 1, 2017, MoGas entered in to a long-term firm transportation services agreement with Laclede Gas Company (“Laclede”), its largest customer, which accounts for approximately 56% of MoGas’ revenue. The amended agreement extends the termination date for Laclede’s existing firm transportation agreement from October 31, 2017 to October 31, 2030. During the entire extended term, Laclede will continue to reserve 62,800 dekatherms per day of firm transportation on MoGas. This service will continue at the full tariff rate of $12.385 per dekatherm per month until October 31, 2018, at which time the rate will be reduced to $6.386 per dekatherm per month for the remainder of the agreement. If MoGas is unable to execute on its plans to offset the reduction in revenue resulting from the reduced rate under the long-term Laclede contract beginning in November of 2018, its business and cash flows could be materially adversely affected.

Pipeline safety integrity programs and repairs may impose significant costs and liabilities on MoGas.

The Federal Office of Pipeline Safety within the U.S. Department of Transportation requires pipeline operators to develop integrity management programs to comprehensively evaluate certain areas along their pipelines and to take additional measures to protect pipeline segments located in “high consequence areas” where a leak or rupture could potentially do the most harm. As an operator, MoGas is required to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a high consequence area;
- improve data collection, integration and analysis;

- repair and remediate the pipeline as necessary; and
- implement preventative and mitigating actions.

MoGas is required to maintain pipeline integrity testing programs that are intended to assess pipeline integrity. Any repair, remediation, preventative or mitigating actions could require significant capital and operating expenditures. Should MoGas fail to comply with the Federal Office of Pipeline Safety’s rules and related regulations and orders, it could be subject to significant penalties and fines, which could have a material adverse effect on MoGas' business, results of operations and financial condition.

MoGas competes with other pipelines.

The principal elements of competition among pipelines are availability of capacity, rates, terms of service, access to supplies, flexibility, and reliability of service. Additionally, FERC's policies promote competition in natural gas markets by increasing the number of natural gas transmission options available to MoGas' customer base. Any current or future pipeline system or other form of transmission that delivers natural gas into the areas that MoGas serves could offer transmission services that are more desirable to shippers than those MoGas provides because of price, location, facilities or other factors. Increased competition could reduce the volumes of product MoGas transports, result in a reduction in the rates MoGas is able to negotiate with its customers, or cause customers to choose to ship their product on a different competing pipeline or cause customers to choose to ship their product on a different competing pipeline. Any one of these consequences could have a material adverse impact on MoGas, or on the operations of any other pipeline owned by the Company. These competitive considerations also could intensify the negative impact of factors that adversely affect the demand for MoGas' services, such as adverse economic conditions, weather, higher fuel costs and taxes or other regulatory actions that increase the cost, or limit the use, of products MoGas transports.

Risks Related to Our Financing Arrangements

Our indebtedness could have important consequences, including impairing our ability to obtain additional financing or pay future distributions, as well as subjecting us to the risk of foreclosure on any mortgaged properties in the event of non-payment of the related debt.

As of December 31, 2016, we had outstanding consolidated indebtedness of approximately $203.6 million. Our leverage could have important consequences. For example, it could:

- result in the acceleration of a significant amount of debt for non-compliance with the terms of such debt or, if such debt contains cross-default or cross-acceleration provisions, other debt;
- materially impair our ability to borrow undrawn amounts under existing financing arrangements or to obtain additional financing or refinancing on favorable terms or at all;
- require us to dedicate a substantial portion of our cash flow to paying principal and interest on our indebtedness, thereby reducing the cash flow available to fund our business, to pay distributions, including those necessary to maintain REIT qualification, or to use for other purposes;
- increase our vulnerability to economic downturns;
- limit our ability to withstand competitive pressures; or
- reduce our flexibility to respond to changing business and economic conditions.

Further, we expect to mortgage many of our properties to secure payment of indebtedness. If we are unable to meet mortgage payments, such failure could result in the loss of assets due to foreclosure and transfer to the mortgagee or sale on unfavorable terms with a consequent loss of income and asset value. A foreclosure of one or more of our properties could create taxable income without accompanying cash proceeds, and could adversely affect our financial condition, results of operations, cash flow, and ability to service debt and make distributions and the market price of our stock.

We face risks associated with our dependence on external sources of capital.

In order to qualify as a REIT, we are required each year to distribute to our stockholders at least 90 percent of our REIT taxable income, and we will be subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs from cash retained from operations. As a result, to fund capital needs, we must rely on third-party sources of capital, which we may not be able to obtain on favorable terms, if at all. Our access to third-party sources of capital depends upon a number of factors, including (i) general market conditions; (ii) the market's perception of our growth potential; (iii) our current and potential future earnings and cash distributions; and (iv) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total capitalization ratio. Additional equity issuances may dilute the holdings of our current stockholders.

Covenants in our loan documents could limit our flexibility and adversely affect our financial condition.

The terms of our various credit agreements and other indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations. If we were to default under credit agreements or other debt instruments, our financial condition would be adversely affected.

We face risks related to "balloon payments" and refinancings.

Certain of our mortgages will have significant outstanding principal balances on their maturity dates, commonly known as "balloon payments." There can be no assurance that we will be able to refinance the debt on favorable terms or at all. To the extent we cannot refinance this debt on favorable terms or at all, we may be forced to dispose of properties on disadvantageous terms or pay higher interest rates, either of which would have an adverse impact on our financial performance and ability to service debt and make distributions.

Risk Related to Our Convertible Notes

We expect that the trading value of the Convertible Notes will be significantly affected by the price of our common stock, which may be volatile.

The market price of our common stock, as well as the general level of interest rates and our credit quality, will likely significantly affect the market price of the Convertible Notes. This may result in significantly greater volatility in the trading value of the Convertible Notes than would be expected for nonconvertible debt securities we may issue.

We cannot predict whether the price of our common stock or interest rates will rise or fall. Trading prices of our common stock will be influenced by our operating results and prospects and by economic, financial, regulatory and other factors. General market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, could affect the price of our common stock.

Holders who receive shares of our common stock upon the conversion of their Convertible Notes will be subject to the risk of volatile and depressed market prices of our common stock. There can be no assurances that the market price of our common stock will not fall in the future.

The Notes are structurally subordinated to all liabilities of our existing or future subsidiaries.

Holders of the Convertible Notes do not and will not have any claim as a creditor against any of our present or future subsidiaries. Indebtedness and other liabilities of those subsidiaries, including trade payables, whether secured or unsecured, are structurally senior to our obligations to holders of the Convertible Notes. As of December 31, 2016, our consolidated subsidiaries had approximately $10.1 million of indebtedness and other liabilities of the type required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles (including trade payables and excluding intercompany obligations). Our subsidiaries expect from time to time to incur additional indebtedness and liabilities.

In the event of a bankruptcy, liquidation, reorganization or other winding up of any of our subsidiaries, such subsidiaries will pay the holders of their debts, holders of any equity interests, including fund investors, and their trade creditors before they will be able to distribute any of their assets to us (except to the extent we have a claim as a creditor of such subsidiary). Any right that we have to receive any assets of any of the subsidiaries upon the bankruptcy, liquidation, reorganization or other winding up of those subsidiaries, and the consequent rights of holders of Convertible Notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively structurally subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of any preferred equity interests of those subsidiaries.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Convertible Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Regulatory actions may adversely affect the trading price and liquidity of the Convertible Notes.

Current and future regulatory actions and other events may adversely affect the trading price and liquidity of the Convertible Notes. We expect that many investors in, and potential purchasers of, the Convertible Notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the Convertible Notes. Investors would typically implement such a strategy by selling short the common stock underlying the Convertible Notes and dynamically adjusting their short position while continuing to hold the Convertible Notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, which may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a “Limit Up-Limit Down” program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the Convertible Notes to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of the Convertible Notes.

We may still incur substantially more debt or take other actions which would intensify the risks discussed above.

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted under the terms of the Indenture governing the Convertible Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the Indenture governing the Convertible Notes that could have the effect of diminishing our ability to make payments on the Convertible Notes when due. Our existing credit facilities restrict our ability to incur additional indebtedness, including secured indebtedness, but we may be able to obtain waivers of such restrictions or may not be subject to such restrictions under the terms of any subsequent indebtedness.

We may not have the ability to raise the funds necessary to repurchase the Convertible Notes, including upon a fundamental change.

Holders of the Convertible Notes have the right to require us to repurchase their Convertible Notes upon the occurrence of certain events constituting a fundamental change, as set forth in the Indenture, at a repurchase price equal to 100 percent of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, thereon to (but excluding) the fundamental change purchase date. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes surrendered therefor. Our failure to repurchase Convertible Notes at a time when the repurchase is required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Notes or make cash payments upon conversions thereof. Our ability to repurchase the Convertible Notes may also be limited by law or by regulatory authority.

Future sales of shares of our common stock may depress its market price.

We may, in the future, sell additional shares of our common stock to raise capital. Sales of substantial amounts of additional shares of common stock, shares that may be sold by stockholders, shares of common stock underlying the Convertible Notes and shares issuable upon exercise of outstanding options as well as sales of shares that may be issued in connection with future acquisitions or for other purposes, including to finance our operations and business strategy, or the perception that such sales could occur, may have an adverse effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. The price of our common stock could also be affected by possible sales of our common stock by investors who view the Convertible Notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect will develop involving our common stock.

Holders of Convertible Notes are not entitled to any rights with respect to our common stock, but are subject to all changes made with respect to them.

Holders of Convertible Notes are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on the common stock) prior to the conversion date with respect to any Convertible Notes they surrender for conversion, but are subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date with respect to any Convertible Notes surrendered for conversion, then the holder surrendering such Convertible Notes will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

The Convertible Notes are not protected by restrictive covenants.

The Indenture governing the Convertible Notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The Indenture contains no covenants or other provisions to afford protection to holders of the Convertible Notes in the event of a fundamental change or other corporate transaction involving us except in limited circumstances as set forth in the Indenture. For example, events such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the Convertible Notes. In the event of any such events, the holders of the Convertible Notes would not have the right to require us to repurchase the Convertible Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the trading price of the Convertible Notes.

The adjustment to the conversion rate for Convertible Notes converted in connection with a Make Whole Adjustment Event may not adequately compensate the holders for any lost value of their Convertible Notes as a result of such transaction.

If a “Make Whole Adjustment Event” (as defined in the Indenture) occurs, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for Convertible Notes converted in connection with such Make Whole Adjustment Event. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction, all as set forth in the Indenture. The adjustment to the conversion rate for Convertible Notes converted in connection with a make whole fundamental change may not adequately compensate the holders for any lost value of their Convertible Notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than $45.00 per share or less than $30.00 per share (in each case, subject to adjustment), no additional shares will be added to the conversion rate. Moreover, in no event will the conversion rate per $1,000 principal amount of Convertible Notes as a result of this adjustment exceed 33.3333 shares, subject to adjustments in the same manner as the conversion rate under the terms of the Indenture.

Our obligation to increase the conversion rate upon the occurrence of a make whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

The conversion rate of the Convertible Notes may not be adjusted for all dilutive events.

The conversion rate of the Convertible Notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the Convertible Notes or our common stock. An event that adversely affects the value of the Convertible Notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions and significant changes in the composition of our board may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Convertible Notes.

Upon the occurrence of a fundamental change, holders of Convertible Notes have the right to require us to repurchase their Convertible Notes. However, the fundamental change provisions of the Indenture do not afford protection to holders of Convertible Notes in the event of other transactions that could adversely affect the Convertible Notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the Convertible Notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the Convertible Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of Convertible Notes.

An active trading market may not develop for the Convertible Notes or, if it develops, may not be maintained or be liquid.

We do not intend to apply to list the Convertible Notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. The underwriters in our public offering of the Convertible Notes may cease their market-making of the Convertible Notes at any time without notice. In addition, the liquidity of the trading market in the Convertible Notes, and the market price quoted for the Convertible Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, an active trading market may not develop for the

Convertible Notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the Convertible Notes may be adversely affected. In that case holders of the Convertible Notes may not be able to sell their Convertible Notes at a particular time or they may not be able to sell their Convertible Notes at a favorable price. The liquidity of the trading market, if any, and future trading prices of the Convertible Notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, our financial condition, results of operations, business, prospects and credit quality relative to our competitors, the market for similar securities and the overall securities market. The liquidity of the trading market of the Convertible Notes may be adversely affected by unfavorable changes in any of these factors, some of which are beyond our control and others of which would not affect debt that is not convertible into capital stock. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices of securities similar to the Convertible Notes. Market volatility could materially and adversely affect the Convertible Notes, regardless of our financial condition, results of operations, business, prospects or credit quality.

The Convertible Notes are not rated. Any adverse rating of the Convertible Notes may cause their trading price to fall.

We do not intend to seek a rating on the Convertible Notes. However, if a rating service were to rate the Convertible Notes and if such rating service were to lower its rating on the Convertible Notes below the rating initially assigned to the Convertible Notes or otherwise announces its intention to put the Convertible Notes on credit watch or to withdraw the rating, the trading price of the Convertible Notes could decline.

Upon conversion of the Convertible Notes, holders may receive less valuable consideration than expected because the value of our common stock may decline after they exercise their conversion right.

Under the Convertible Notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders Convertible Notes for conversion until the date we settle our conversion obligation. We will be required to deliver the shares of our common stock, together with cash for any fractional shares, on the third scheduled trading day following the relevant conversion date; and for any conversion that occurs on or after the record date for the payment of interest on the Convertible Notes at the maturity date, we will be required to deliver shares on the maturity date. Accordingly, if the price of our common stock decreases during this period, the value of the shares that the holders receive will be adversely affected and would be less than the conversion value of the Convertible Notes on the conversion date.

Conversion of the Convertible Notes may dilute the ownership interest of existing shareholders, including holders who had previously converted their Convertible Notes.

To the extent we issue shares of our common stock upon conversion of the Convertible Notes, the conversion of some or all of the Convertible Notes will dilute the ownership interests of existing shareholders. Any sales in the public market of shares of our common stock issuable upon such conversion of the Convertible Notes could adversely affect prevailing market prices of our common stock.

Provisions of the Convertible Notes could discourage an acquisition of us by a third party.

Certain provisions of the Indenture and the Convertible Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change under the Indenture, holders of the Convertible Notes will have the right, at their option, to require us to repurchase all or a portion of their Convertible Notes. We may also be required to increase the conversion rate upon conversion or provide for conversion into the acquirer's capital stock in the event of certain fundamental changes. In addition, the Indenture and the Convertible Notes prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Convertible Notes and the Indenture.

Holders of the Convertible Notes may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the Convertible Notes even though they do not receive a corresponding cash distribution.

The conversion rate of the Convertible Notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, holders of Convertible Notes may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases the proportionate interest in us could be treated as a deemed taxable dividend to holders of the Convertible Notes. If, pursuant to the terms of the Indenture, a make whole fundamental change occurs on or prior to the maturity date, under some circumstances, we will increase the conversion rate for Convertible Notes converted in connection with the make whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. For a non-U.S. holder of the Convertible Notes, any deemed dividend may be subject to U.S. federal withholding tax at a 30 percent rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the Convertible Notes.

Risks Related to Our Preferred Stock

An active trading market for our depositary shares may not be maintained.

Our depositary shares, each of which represents 1/100th of a share of our Series A Preferred Stock, are listed on the NYSE; however, we can provide no assurance that an active trading market on the NYSE for the depositary shares may be maintained. As a result, the ability to transfer or sell the depositary shares and any trading price of the depositary shares could be adversely affected.

The market price of the depositary shares representing interests in our Series A Preferred Stock may be adversely affected by the future incurrence of debt or issuance of preferred stock by the Company.

In the future, we may increase our capital resources by making offerings of debt securities and preferred stock of the Company and other borrowings by the Company. The debt securities, preferred stock (if senior to our Series A Preferred Stock) and borrowings of the Company are senior in right of payment to our Series A Preferred Stock, and all payments (including dividends, principal and interest) and liquidating distributions on such securities and borrowings could limit our ability to pay dividends or make other distributions to the holders of depositary shares representing interests in our Series A Preferred Stock.

Because our decision to issue securities and make borrowings in the future will depend on market conditions and other factors, some of which may be beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or borrowings. Thus, holders of the depositary shares representing interests in Series A Preferred Stock bear the risk of our future offerings or borrowings reducing the market price of the depositary shares representing interests in our Series A Preferred Stock.

A holder of depositary shares representing interests in the Series A Preferred Stock has extremely limited voting rights.

The voting rights of a holder of depositary shares are limited. Our common stock is the only class of our securities that carries full voting rights. Voting rights for holders of depositary shares exist primarily with respect to the ability to elect (together with the holders of other series of preferred stock on parity with the Series A Preferred Stock, if any) two additional directors to our board of directors in the event that six quarterly dividends (whether or not declared or consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to our Charter, including the articles supplementary creating our Series A Preferred Stock (in some cases voting together with the holders of Parity Preferred Stock as a single class) that materially and adversely affect the rights of the holders of depositary shares representing interests in the Series A Preferred Stock or create additional classes or series of our stock that are senior to the Series A Preferred Stock, provided that in any event adequate provision for redemption has not been made. Other than certain limited circumstances, holders of depositary shares do not have any voting rights.

The Change of Control conversion feature of Series A Preferred Stock may not adequately compensate the holders, and the Change of Control conversion and redemption features of the shares of Series A Preferred Stock underlying the depositary shares may make it more difficult for a party to take over the Company or discourage a party from taking over the Company.

Upon the occurrence of a Change of Control (as defined in the Articles Supplementary for Series A Preferred Stock), holders of the depositary shares representing interests in our Series A Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date (as defined in the Articles Supplementary for Series A Preferred Stock), we have provided notice of our election to redeem the depositary shares either pursuant to our optional redemption right or our special optional redemption right) to convert some or all of their depositary shares into shares of our common stock (or equivalent value of Alternative Conversion Consideration). Upon such a conversion, the maximum number of shares of common stock that holders of depositary shares will receive for each depositary share converted will be limited to the Share Cap. These features of the Series A Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a Change of Control of the Company under circumstances that otherwise could provide the holders of our common stock and Series A Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

The market price of the depositary shares could be substantially affected by various factors.

The market price of the depositary shares will depend on many factors, which may change from time to time, including:

- Prevailing interest rates, increases in which may have an adverse effect on the market price of the depositary shares representing interests in our Series A Preferred Stock;
- The market for similar securities issued by other REITs;

- General economic and financial market conditions;
- The financial condition, performance and prospects of us, our tenants and our competitors;
- Any rating assigned by a rating agency to the depositary shares;
- Changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry; and
- Actual or anticipated variations in our quarterly operating results and those of our competitors.

In addition, over the last several years, prices of equity securities in the U.S. trading markets have been experiencing extreme price fluctuations. As a result of these and other factors, investors holding our depositary shares may experience a decrease, which could be substantial and rapid, in the market price of the depositary shares, including decreases unrelated to our financial condition, performance or prospects. Likewise, in the event that the depositary shares become convertible and are converted into shares of our common stock, holders of our common stock issued upon such conversion may experience a similar decrease, which also could be substantial and rapid, in the market price of our common stock.

Risks Related to REIT Qualification and Federal Income Tax Laws

We have elected to be taxed as a REIT for fiscal 2013 and subsequent years, but the IRS may challenge our qualification as a REIT.

We have elected to be a REIT for federal income tax purposes. In order to qualify as a REIT, a substantial percentage of our income must be derived from, and our assets consist of, real estate assets, and, in certain cases, other investment property. We have acquired and managed investments which satisfy the REIT tests. Whether a particular investment is considered a real estate asset for such purposes depends upon the facts and circumstances of the investment. Due to the factual nature of the determination, the IRS may challenge whether any particular investment will qualify as a real estate asset or realize income which satisfies the REIT income tests. In determining whether an investment is a real property asset, we will look at the Code and the IRS's interpretation of the Code in regulations, published rulings, private letter rulings and other guidance. In the case of a private letter ruling issued to another taxpayer, we would not be able to bind the IRS to the holding of such ruling. If the IRS successfully challenges our qualification as a REIT, we may not be able to achieve our objectives and the value of our stock may decline. As a REIT, our distributions from earnings and profits will be treated as ordinary income and a return of capital, and generally will not qualify as qualified dividend income ("QDI").

Fluctuations in the fair market value of the assets that we own and that are owned by our taxable REIT subsidiaries may adversely affect our continued qualification as a REIT.

We have to satisfy the asset tests at the end of each quarter. Although fluctuations in the fair market value of our assets should not adversely affect our qualification as a REIT, we must satisfy the asset tests immediately after effecting the REIT acquisition of any asset. Thus, we may be limited in our ability to purchase certain assets depending upon the potential fluctuations in the fair market value of our direct and indirect assets. As fair market value determinations are inherently factual, risks exist as to the fair market determination.

Although we believe that the Grand Isle Gathering System, Pinedale LGS and the Portland Terminal Facility constitute real estate assets under the REIT provisions of the Code, that belief is not binding on the IRS or any court and does not guarantee our qualification as a REIT.

On August 31, 2016, the IRS issued final regulations to define real property under the REIT provisions, which provide that interests in real estate include inherently permanent structures such as pipelines and certain related assets. The qualifying real estate assets in the energy infrastructure sector include electric transmission and distribution systems, pipeline systems, and storage and terminaling systems, among others. We believe that substantially all of the Grand Isle Gathering System, Pinedale LGS and Portland Terminal Facility constitute real estate assets under the REIT provisions consistent with the final regulations and certain private letter rulings. We have not obtained any private letter rulings with respect to the Grand Isle Gathering System, Pinedale LGS or Portland Terminal Facility. If the Grand Isle Gathering System or Pinedale LGS does not constitute a real estate asset for federal income tax purposes, we would likely fail to continue to qualify as a REIT. If that should occur, it likely would prevent us from achieving our business objectives and could cause the value of our stock to decline.

We are subject to a corporate level tax on certain built in gains if certain assets are sold during the five-year period following our initial election to be taxed as a REIT.

Generally, a REIT is treated as a flow-through entity for federal income tax purposes, as a REIT's income is generally subject to a single level of federal taxation, which is accomplished by the REIT annually distributing at least ninety percent of its REIT taxable income.

However, through 2017, we will be subject to a REIT level federal income tax on any built-in gain recognized during such period on the sale of assets with built-in gain. We do not anticipate incurring any significant built-in gain tax.
Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock.
Beginning with our fiscal year ended December 31, 2013, we believe our income and investments have allowed us to meet the income and asset tests necessary for us to qualify for REIT status and we have elected to be taxed as a REIT for fiscal years 2013 through 2016. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code as to which there may only be limited judicial and administrative interpretations and involves the determination of facts and

circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification. Accordingly, we cannot assure you that we will be organized or will operate to qualify as a REIT for future fiscal years. If, with respect to any taxable year, we fail to qualify as a REIT, we would not be allowed to deduct distributions to stockholders in computing our taxable income. After our initial election and qualification as a REIT, if we later failed to so qualify and we were not entitled to relief under the relevant statutory provisions, we would also be disqualified from treatment as a REIT for four subsequent taxable years. If we fail to qualify as a REIT, corporate-level income tax, including any applicable alternative minimum tax, would apply to our taxable income at regular corporate rates. As a result, the amount available for distribution to holders of equity securities would be reduced for the year or years involved, and we would no longer be required to make distributions. In addition, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it could adversely affect the value of our common stock.

The ability of stockholders to control our policies and effect a change of control of our company may be limited by certain provisions of our charter and by Maryland law.

Our charter authorizes our board of directors to amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock. We believe that these provisions in our charter provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests.

To maintain our qualification as a REIT for U.S. federal income tax purposes, among other purposes, our charter includes provisions designed to ensure that not more than 50 percent in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals (as defined in the Internal Revenue Code to include certain entities such as private foundations) at any time during the last half of any taxable year. Subject to the exceptions described below, our charter generally prohibits any person (as defined under the Internal Revenue Code to include certain entities) from actually owning or being deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, (i) more than 9.8 percent (in value or in number of shares, whichever is more restrictive) of the issued and outstanding shares of our common stock or (ii) more than 9.8 percent in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case, excluding any shares of our stock not treated as outstanding for federal income tax purposes. We refer to these restrictions as the “ownership limitation provisions.” Our charter further prohibits any person from beneficially or constructively owning shares of our capital stock that would result in us being “closely held” under Section 856(h) of the Code or otherwise failing to qualify as a REIT. Our charter also provides that any transfer of shares of our capital stock which would, if effective, result in our capital stock being beneficially owned by fewer than 100 persons (as determined pursuant to the Internal Revenue Code) shall be void ab initio and the intended transferee shall acquire no rights in such shares. These ownership limitation provisions may prevent or delay a change in control and, as a result, could adversely affect our stockholders’ ability to realize a premium for their shares of common stock. However, upon request, our board of directors may waive the ownership limitation provisions with respect to a particular stockholder and establish different ownership limitation provisions for such stockholder. In granting such waiver, our board of directors may also require the stockholder receiving such waiver to make certain representations, warranties and covenants related to our ability to qualify as a REIT.

Ownership limitations in our charter may impair the ability of holders to convert Convertible Notes into our common stock.

In order to assist us in maintaining our qualification as a REIT for U.S. federal income tax purposes, among other purposes, our charter restricts ownership of more than 9.8 percent (in value or in number, whichever is more restrictive) of our outstanding shares of common stock, or 9.8 percent in value of our outstanding capital stock, subject to certain exceptions. Notwithstanding any other provision of the Convertible Notes or the Indenture, no holder of Convertible Notes will be entitled to receive common stock following conversion of such Convertible Notes to the extent that receipt of such common stock would cause such holder (after application of certain constructive ownership rules) to exceed the ownership limit contained in our charter. We will not be able to deliver our common stock, even if we would otherwise choose to do so, to any holder of Convertible Notes if the delivery of our common stock would cause that holder to exceed the ownership limits described above.

Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to sell assets in adverse market conditions, borrow on unfavorable terms or distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could materially and adversely affect us.

As a REIT, re-characterization of sale-leaseback transactions may cause us to lose our REIT status.

We intend to purchase certain properties and simultaneously lease those same properties back to the sellers. While we will use our best efforts to structure any such sale-leaseback transaction so that the lease will be characterized as a "true lease," thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes, the IRS could challenge such characterization. In the event that any sale-leaseback transaction is recharacterized as a financing transaction or loan for U.S. federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the REIT qualification "asset tests" or the "income tests" and, consequently, lose our REIT status effective with the year of re-characterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

As a REIT, we are required to make distributions, other than capital gain distributions, to our stockholders each year in the amount of at least 90 percent of our REIT taxable income in order to deduct distributions to our stockholders. As a result, we will continue to need additional capital to make new investments. If additional funds are unavailable or not available on favorable terms, our ability to make new investments will be impaired.

As a REIT, we are required to distribute at least 90 percent of our REIT taxable income in order to deduct distributions to our stockholders, and as such we expect to continue to require additional capital to make new investments or carry existing investments. We may acquire additional capital from the issuance of securities senior to our common stock, including additional borrowings or other indebtedness or the issuance of additional securities. We may also acquire additional capital through the issuance of additional equity. However, we may not be able to raise additional capital in the future on favorable terms or at all. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. We may issue debt securities, other instruments of indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities." As a result of issuing senior securities, we will also be exposed to typical risks associated with leverage, including increased risk of loss. If we issue preferred securities which will rank "senior" to our common stock in our capital structure, the holders of such preferred securities may have separate voting rights and other rights, preferences or privileges more favorable than those of our common stock, and the issuance of such preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for security holders or otherwise be in our best interest.

To the extent our ability to issue debt or other senior securities is constrained, we will depend on issuances of additional common stock to finance new investments. If we raise additional funds by issuing more of our common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and you may experience dilution.

If we acquire C corporations in the future, we may inherit material tax liabilities and other tax attributes from such acquired corporations, and we may be required to distribute earnings and profits.

From time to time we may acquire C corporations or assets of C corporations in transactions in which the basis of the corporations' assets in our hands is determined by reference to the basis of the assets in the hands of the acquired corporations, or carry-over basis transactions.

In the case of assets we acquire from a C corporation in a carry-over basis transaction, if we dispose of any such asset in a taxable transaction (including by deed in lieu of foreclosure) during the five-year period beginning on the date of the carry-over basis transaction, then we will be required to pay tax at the highest regular corporate tax rate on the gain recognized to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted tax basis in the asset, in each case determined as of the date of the carry-over basis transaction. Any taxes we pay as a result of such gain would reduce the amount available for distribution to our stockholders. The imposition of such tax may require us to forgo an otherwise attractive disposition of any assets we acquire from a C corporation in a carry-over basis transaction, and as a result may reduce the liquidity of our portfolio of investments. In addition, in such a carry-over basis transaction, we will succeed to any tax liabilities and earnings and profits of the acquired C corporation. To qualify as a REIT, we must distribute any non-REIT earnings and profits by the close of the taxable year in which such transaction occurs. If the IRS were to determine that we acquired non-REIT earnings and profits from a corporation that we failed to distribute prior to the end of the taxable year in which the carry-over basis transaction occurred, we could avoid disqualification as a REIT by paying a "deficiency dividend." Under these procedures, we generally would be required to distribute any such non-REIT earnings and profits to our stockholders within 90 days of the determination and pay a statutory interest charge at a specified rate to the IRS. Such a distribution would be in addition to the distribution of REIT taxable income necessary to satisfy the REIT distribution requirement and may require that we borrow funds to make the distribution even if the then-prevailing market conditions are not favorable for borrowings. In addition, payment of the statutory interest charge could materially and adversely affect us.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the income tax consequences of such qualification.

Risks Related to Our Corporate Structure and Governance

Corridor may serve as a manager to other entities, which may create conflicts of interest not in the best interest of us or our stockholders.

Corridor's services under the Management Agreement are not exclusive, and, while it currently does not have any contractual arrangement to do so, it is free to furnish the same or similar services to other entities, including businesses that may directly or indirectly compete with us so long as its services to us are not impaired by the provision of such services to others. Corridor and its members may have obligations to other entities, the fulfillment of which might not be in the best interests of us or our stockholders.

We will be dependent upon key personnel of Corridor for our future success.

We have entered into a management agreement with Corridor to provide full management services to us for real property asset investments. We will be dependent on the diligence, expertise and business relationships of the management of Corridor to implement our strategy of acquiring real property assets. The departure of one or more investment professionals of Corridor could have a material adverse effect on our ability to implement this strategy and on the value of our common stock. There can be no assurance that we will be successful in implementing our strategy.

Provisions of the Maryland General Corporation Law and our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The following considerations related to provisions of Maryland General Corporation Law, and of our charter and bylaws, may have the effect of discouraging, delaying or making difficult a change in control of our Company or the removal of our incumbent directors:

- We are subject to the Business Combination Act of the Maryland General Corporation Law. However, pursuant to the statute, our Board of Directors has adopted a resolution exempting us from the Maryland Business Combination Act for any business combination between us and any person to the extent that such business combination receives the prior approval of our board.
- Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of stock by any person. If we amend our bylaws to repeal the exemption from the Maryland Control Share Acquisition Act, the Maryland Control Share Acquisition Act also may make it more difficult to obtain control of our Company.
- As described above, our charter includes a share ownership limit designed to preserve our status as a REIT, which may have the effect of precluding an acquisition of control of us without the approval of our Board of Directors.
- Under our charter, our Board of Directors is divided into three classes serving staggered terms, which will make it more difficult for a hostile bidder to acquire control of us.
- Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law relating to the filling of vacancies on our board of directors. Further, through provisions in our charter and bylaws unrelated to Subtitle 8, we (1) require a two-thirds vote for the removal of any

director from the board, which removal must be for cause, (2) vest in the board the exclusive power to fix the number of directors, subject to limitations set forth in our charter and bylaws, (3) have a classified Board of Directors and (4) require that, unless a special meeting of stockholders is called by the chairman of our Board of Directors, our chief executive officer, our president or our Board of Directors, such a special meeting may only be called to consider and vote on any matter that may properly be considered at a meeting of stockholders at the request of stockholders entitled to cast not less than a majority of all votes entitled to be cast on a matter at such meeting.

- In addition, our Board of Directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Our Board of Directors also may, without stockholder action, amend our charter to increase the number of shares of stock of any class or series that we have authority to issue.

The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third party bids for ownership of our Company. These provisions may prevent any premiums being offered to you for our common stock.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our common stock and Series A Preferred Stock is limited by the laws of Maryland. Under the Maryland General Corporation Law, a Maryland corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on our common stock and the Series A Preferred Stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of any shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our common stock and the Series A Preferred Stock.

Additional Risks to Our Stockholders

Our use of leverage increases the risk of investing in our securities and will increase the costs borne by common stockholders.

Our use of leverage through the issuance of any preferred stock or debt securities, and any additional borrowings or other transactions involving indebtedness (other than for temporary or emergency purposes) are or would be considered "senior securities" and create risks. Leverage may adversely affect common stockholders. If the return on securities acquired with borrowed funds or other leverage proceeds does not exceed the cost of the leverage, the use of leverage could cause us to lose money.

Our issuance of senior securities involves offering expenses and other costs, including interest payments, which are borne indirectly by our common stockholders. Fluctuations in interest rates could increase interest or dividend payments on our senior securities, and could reduce cash available for distribution on common stock. Increased operating costs, including the financing cost associated with any leverage, may reduce our total return to common stockholders.

Rating agency guidelines applicable to any senior securities may impose asset coverage requirements, dividend limitations, voting right requirements (in the case of the senior equity securities), and restrictions on our portfolio composition and our use of certain investment techniques and strategies. The terms of any senior securities or other borrowings may impose additional requirements, restrictions and limitations that are more stringent than those required by a rating agency that rates outstanding senior securities. These requirements may have an adverse effect on us and may affect our ability to pay distributions on common stock and preferred stock. To the extent necessary, we may redeem our senior securities to maintain the required asset coverage. Doing so may require that we liquidate investments at a time when it would not otherwise be desirable to do so.

In addition, lenders from whom we may borrow money or holders of our debt securities may have fixed dollar claims on our assets that are superior to the claims of our stockholders, and we have granted, and may in the future grant, a security interest in our assets in connection with our debt. In the case of a liquidation event, those lenders or note holders would receive proceeds before our stockholders. If the value of our assets increases, then leveraging would cause the book value of our common stock to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause the book value of our common stock to decline more than it otherwise would have had we not leveraged. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common stock. Our ability to service any debt that we incur will depend largely on our financial performance and the performance of our investments and will be subject to prevailing economic conditions and competitive pressures.

We cannot assure you that we will be able to pay dividends regularly.

Our ability to pay dividends in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries. We cannot guarantee that we will be able to pay dividends on a regular quarterly basis in the future. Furthermore, any new shares of common stock issued will substantially increase the cash required to continue to pay cash dividends at current levels. Any common stock or preferred stock that may in the future be issued to finance acquisitions, upon exercise of stock options or otherwise, would have a similar effect.

Risks Related to Our Investments in Loans

Our loans may be impacted by unfavorable real estate market conditions, which could decrease the value of those loans and the return on your investment.

If we make or invest in mortgage loans, we will be at risk of defaults on those loans caused by many conditions beyond our control, including local and other economic conditions affecting real estate values and interest rate levels. We do not know whether the values of the property securing the loans will remain at the levels existing on the dates of origination of the loans. If the values of the underlying properties drop, our risk will increase because of the lower value of the security associated with such loans.

If our borrowers declare bankruptcy, we may be unable to collect interest and principal payments when due under the loan documents.

Either the borrowers under any loan documents we hold, or any of their affiliates, the guarantors of the borrowers' obligations, could be subject to a bankruptcy proceeding pursuant to Title 11 of the bankruptcy laws of the United States. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy debts from these entities or their properties, unless we receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be paid currently. Such a bankruptcy could delay efforts to collect past due balances under the loan documents, could ultimately preclude full collection of these sums, and could cause a decrease or cessation of principal and interest payments under the loan documents. If any of these events occur, our cash flow and funds available for distributions to our stockholders would be adversely affected.

Delays in liquidating defaulted mortgage loans could reduce our investment returns.

If there are defaults under our loans, we may not be able to repossess and sell under favorable market conditions any energy infrastructure real property securing such loans. The resulting time delay could reduce the value of our investment in the defaulted loans. An action to foreclose on a property securing a loan is regulated by state statutes and regulations and is subject to many of the delays and expenses of any lawsuit brought in connection with the foreclosure if the defendant raises defenses or counterclaims. If there is a default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the loan.

A foreclosure on the energy infrastructure real property and equipment held by a borrower would create additional ownership risks that could adversely impact the return on our investment.

If we should acquire any of the energy infrastructure real property and/or related equity held by a borrower by foreclosure following a default under the loan documents, we will incur additional economic and liability risks as the owner of such assets, including, among other things, insurance costs, costs of maintenance and taxes relating to such property.

In the event of a foreclosure on the energy infrastructure real property assets held by a borrower, we may not be able to sell such assets at a price equal to, or greater than, the loan amount and accrued unpaid interest under the loan documents, which may lead to a decrease in the value of our assets.

Given the specialized nature of the borrowers' assets and the fact they are predominantly employed in support of the borrowers' operations, there can be no assurance that we would be able to find another buyer for these assets if financial distress on the part of a borrower forced us to foreclose on our security interest. Further, even if we were able to sell the assets, such sale may occur at a price less than the amount required to recover our loan balances and accrued unpaid interest under the loan documents, which could adversely impact the value of our assets and our ability to make distributions to our stockholders.

We may experience an impairment in the value of our loan to a borrower related to a deterioration in the credit worthiness of the borrower or a decline in the fair market value of the energy infrastructure real property assets securing the loan.

A deterioration in the credit worthiness of a borrower, due to changing business conditions or otherwise, or a decline in the fair market value of the energy infrastructure real property assets securing any of our loans to a borrower, could require us to recognize an “other-than-temporary” impairment in the value of the promissory note secured by the assets if we were to determine that such loan was in an unrealized loss position and we did not have the ability and intent to hold such asset to maturity or for a period of time sufficient to allow for recovery of the value of the underlying assets. If such a determination were made, we would recognize unrealized losses through earnings and write down the asset value of such loan to a new cost basis, based on the fair value of the assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition; a subsequent disposition or sale of the loan through foreclosure or otherwise could further affect our future losses or gains, as they would be based on the difference between the sales price received and the adjusted amortized cost of such loan at the time of sale.

If a borrower suffers losses that are not covered by insurance or that are in excess of insurance coverage, we could lose invested capital and anticipated profits.

Material losses may occur in excess of insurance proceeds with respect to the assets held by a borrower, as insurance may not be sufficient to fund the losses. However, there are types of losses, generally of a catastrophic nature, such as losses due to wars, acts of terrorism, earthquakes, floods, tornados, hurricanes, pollution or environmental matters, which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums incurred for coverage against property and casualty claims. In these instances, a borrower or its affiliates may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. They may not have adequate, or any, coverage for such losses. See "—Some losses related to our real property assets, including, among others, losses related to potential terrorist activities, may not be covered by insurance and would adversely impact distributions to stockholders." If such an event damaged or destroyed the assets held by our borrowers, we could lose both our invested capital and anticipated profits under the loan agreements.

Risks Related to Our Non-Real Estate Investments

Our securities investments in privately-held companies present certain challenges, including availability of information about these companies and illiquidity that may impact our ability to liquidate these investments in a timely and/or advantageous manner.

We currently have securities investments in privately-held companies. Generally, little public information exists about these companies. If we are unable to obtain all material information about these companies, including with respect to operational, regulatory, environmental, litigation and managerial risks, we may not make a fully-informed investment decision, and we may lose some or all of the money invested in these companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell such investments at advantageous times and prices or in a timely manner. In addition, if we are required to liquidate all or a portion of our private securities investments quickly, we may realize significantly less than the value at which we previously have recorded our investments. We also may face other restrictions on our ability to liquidate an investment in the securities of a portfolio company to the extent that we or one of our affiliates have material non-public information regarding such portfolio company.

All of our securities investments are, and will continue to be, recorded at fair value. Because such valuations are inherently uncertain, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

We continue to hold investments that are in the form of securities or loans that are not publicly traded. The fair value of these investments may not be readily determinable. For securities investments that are reported at fair value, we will value these investments quarterly at fair value. We have retained independent valuation firms to provide third-party valuation consulting services. The Audit Committee of our Board of Directors reviews the independent valuation firms' supporting analyses and accepts the valuations. The types of factors that may be considered in fair value pricing of an investment include the nature and realizable value of any collateral, the issuing company's earnings and ability to make payments, the markets in which the issuing company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations are inherently uncertain, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. As a result, we may not be able to dispose of our holdings at a price equal to or greater than the determined fair value, which could have a negative impact on our net equity and earnings.

The lack of liquidity in our private securities investments may make it difficult to liquidate these securities at favorable prices, and as a result, we may suffer losses.

We have historically invested in the equity of companies whose securities are not publicly traded, and whose securities may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. As of December 31, 2016, all of our securities investments were invested in illiquid securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, we may realize significantly less than the value at which we had previously recorded these investments when we liquidate any of these securities. The illiquidity of these securities investments may make it difficult for us to dispose of them at favorable prices, and, as a result, we may suffer losses.

If we were deemed an investment company under the Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business and the price of our securities.

A company such as ours would be considered an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”), if, among other things, it owned investment securities (including minority ownership interests in subsidiaries or other entities) that have an aggregate value exceeding 40% of the value of its total assets on an unconsolidated basis, or it failed to qualify under the exemption from investment company status available under the 1940 Act to companies primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

We do not believe that we are, or are likely to become, an investment company under the 1940 Act. Nevertheless, if one of our infrastructure real property asset acquisitions were characterized as an investment in securities, we could be deemed an investment company for purposes of the 1940 Act. If we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our operations and the price of our common stock.

Changes in laws or regulations or in the interpretations of laws or regulations could significantly affect our operations and cost of doing business.

We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including loan originations, maximum interest rates, fees and other charges, disclosures to equity investees the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, we may have to incur significant expenses in order to comply, or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, or fail to obtain licenses that may become necessary for the conduct of our business, we may be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, results of operations or financial condition.

Risk Related to Terrorism and Cybersecurity

A terrorist attack, act of cyber-terrorism or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the U.S., whether or not targeted at our assets or those of our tenants, investees or customers, could adversely affect the U.S. and global economies and could prevent us from meeting our financial and other obligations. Both we and our tenants and investees could experience loss of business, delays or defaults in payments from customers or disruptions of supplies and markets if domestic and global utilities or other energy infrastructure companies are direct targets or indirect casualties of an act of terror or war. Additionally, both we and our tenants and other investees rely on financial and operational computer systems to process information critically important for conducting various elements of our respective businesses. Any act of cyber-terrorism or other cyber-attack resulting in a failure of our computer systems, or those of our tenants, customers, suppliers or others with whom we do business, could materially disrupt our ability to operate our respective businesses and could result in a financial loss to the Company and possibly do harm to our reputation. Accordingly, terrorist activities and the threat of potential terrorist activities (including cyber-terrorism) and any resulting economic downturn could adversely affect our business, financial condition and results of operations. Any such events also might result in increased volatility in national and international financial markets, which could limit our access to capital or increase our cost of obtaining capital.

Some losses related to our real property assets, including, among others, losses related to potential terrorist activities, may not be covered by insurance and would adversely impact distributions to stockholders.

Our leases will generally require the tenant companies to carry comprehensive liability and casualty insurance on our properties comparable in amounts and against risks customarily insured against by other companies engaged in similar businesses in the same geographic region as our tenant companies. We believe the required coverage will be of the type, and amount, customarily obtained by an owner of similar properties. However, there are some types of losses, such as catastrophic acts of nature, acts of war or riots, for which we or our tenants cannot obtain insurance at an acceptable cost. If there is an uninsured loss or a loss in excess of insurance limits, we could lose both the revenues generated by the affected property and the capital we have invested in the property if our tenant company fails to pay us the casualty value in excess of such insurance limit, if any, or to indemnify us for such loss. This would in turn reduce the amount of income available for distributions. We would, however, remain obligated to repay any secured indebtedness or other obligations related to the property. Since September 11, 2001, the cost of insurance protection against terrorist acts has risen dramatically. The cost of coverage for acts of terrorism is currently mitigated by the Terrorism Risk Insurance Program Reauthorization Act of 2015 (“TRIPRA”), which extended such program through December 31, 2020. Under TRIPRA, the amount of terrorism-related insurance losses triggering the federal insurance threshold will be raised gradually from its current level of $100 million in 2014 to $200 million in 2020. Additionally, the bill increases insurers' co-payments for losses exceeding their deductibles, in annual steps, from 15% in 2014 to 20% in 2020. Each of these changes may have the effect of increasing the cost to insure against acts of terrorism for property owners, such as the Company, notwithstanding the other provisions of TRIPRA. Further, if TRIPRA is not continued beyond 2020 or is significantly modified, we may incur higher insurance costs and experience greater difficulty in obtaining insurance that covers terrorist-related damages. Our tenants may also have similar difficulties. There can be no assurance our tenant companies will be able to obtain terrorism insurance coverage, or that any coverage they do obtain will adequately protect our properties against loss from terrorist attack.

We face risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. These systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate the risk. These risks have generally increased as the number, intensity and sophistication of attempted attacks and intrusions by computer hackers, foreign governments and cyber terrorists has increased worldwide.

A security breach of other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Leased Energy Infrastructure Assets

We are primarily focused on acquiring and financing midstream and downstream real estate assets within the U.S. energy infrastructure sector and concurrently entering into long-term triple-net participating leases with energy companies. The following summarizes our investments in energy infrastructure assets that are leased on a triple-net basis to their respective operators as of December 31, 2016:

Asset Name	Owner/Landlord	Tenant	Asset Location	Asset Description	Encumbrances (1)
Grand Isle Gathering System	Grand Isle Corridor, LP	Energy XXI GIGS Services, LLC (2)	Gulf of Mexico / Louisiana	Approximately 153 miles of offshore pipeline with total capacity of 120,000 Bbls/d including a 16-acre onshore terminal and saltwater disposal system	Security for the Company's $150 million revolving credit facility with Regions Bank
Pinedale Liquids Gathering System	Pinedale LP (3)	Ultra Wyoming LGS LLC (4)	The Pinedale Anticline in Wyoming	Approximately 150 miles of pipelines and four central storage facilities	Security for the Pinedale Credit Facility
Portland Terminal Facility	LCP Oregon Holdings, LLC	Arc Terminals Holdings LLC (5)	Portland, OR	A 42-acre rail and marine facility property adjacent to the Willamette River with 84 tanks and total storage capacity of approximately 1,500,000 barrels	Security for the Company's $150 million revolving credit facility with Regions Bank

(1) For additional information, see Note 13, Credit Facilities, in the Notes to the Financial Statements included in this report.
(2) Energy XXI GIGS Services, LLC's obligations under the GIGS Lease Agreement are guaranteed by EXXI. For additional information, see "Additional Information Concerning the Grand Isle Gathering System" below.
(3) Prudential funded a portion of the Pinedale LGS acquisition and, as a limited partner, holds 18.95 percent of the economic interest in Pinedale LP. The general partner, our wholly owned subsidiary, Pinedale GP, holds the remaining 81.05 percent economic interest.
(4) Ultra Wyoming's obligations under the Pinedale Lease Agreement are guaranteed by Ultra Petroleum and Ultra Petroleum's operating subsidiary, Ultra Resources. For additional information, see "Additional Information Concerning the Pinedale LGS" below.
(5) Arc Terminals is an indirect wholly-owned subsidiary of Arc Logistics, which has guaranteed its obligations under the Portland Lease Agreement. For additional information, see "Additional Information Concerning the Portland Terminal Facility" below.

Additional Information Concerning the Grand Isle Gathering System

Grand Isle Corridor, LP acquired the Grand Isle Gathering System from Energy XXI USA, Inc., a wholly owned subsidiary of EXXI, on June 30, 2015. The Grand Isle Gathering System has a current capacity of approximately 120 thousand barrels per day. It includes 153 miles of undersea pipeline that transports oil and water from seven offshore fields and a 16-acre onshore terminal. The terminal includes four storage tanks, three saltwater injection wells, and associated pipelines, land, buildings and facilities.

The subsea pipelines forming the majority of the Grand Isle Gathering System and certain other components, such as the buildings and saltwater disposal facilities, have useful lives that extend beyond the initial term of the GIGS Lease Agreement, and the system is critical to EXXI's core operations. The Grand Isle Gathering System provides shoreline terminal access to 43 offshore platforms producing from seven fields. Some of these fields have produced for over 50 years, and continue to produce. Two of the Grand Isle Gathering System fields, West Delta 30 and West Delta 73, were described by EXXI in March 2016 as having a 54 well drilling inventory. Actual wells drilled will be dependent on economics, but these data suggest the possibility of several years of drilling activity remaining. From its analysis, CORR assumes average West Delta well lives of 20 to 25 years, implying a long-term continued need for transport and terminaling services being provided by our Grand Isle Gathering System.

The primary term of the Grand Isle Lease Agreement is 11 years, with an initial renewal term of nine years, subject to certain conditions. During the initial term of the Grand Isle Lease Agreement, the EXXI Tenant is required to make minimum monthly rental payments that were initially $2.6 million in year one, increase to a maximum of $4.2 million in year seven and decline to $3.5 million in year eleven. In addition, the EXXI Tenant will pay variable rent payments based on a ten percent participation above a pre-defined threshold, which will be calculated monthly on the volumes of EXXI oil that flow through the Grand Isle Gathering System, multiplied by the average daily closing price of crude oil for the applicable calendar month. Participating rent is capped at 39 percent of the total rent for each month. There were no participating rents paid in 2016.

In view of the fact that EXXI leases a substantial portion of the Company's net leased property which is a significant source of revenues and operating income, its financial condition and ability and willingness to satisfy its obligations under its lease with the Company, are expected to have a considerable impact on our results of operations and cash flows.

EXXI has historically been subject to the reporting requirements of the Exchange Act and required to file with the SEC annual reports containing audited financial statements and quarterly reports containing unaudited financial statements. Following emergence from bankruptcy, the succeeding company has indicated that it will continue to file Exchange Act reports with the SEC as well. The audited financial statements and unaudited financial statements of EXXI can be found on the SEC's website at www.sec.gov. The Company makes no representation as to the accuracy or completeness of the audited and unaudited financial statements of EXXI, but has no reason to doubt the accuracy or completeness of such information. In addition, EXXI has no duty, contractual or otherwise, to advise the Company of any events that might have occurred subsequent to the date of such financial statements which could affect the significance or accuracy of such information.

Additional Information Concerning the Pinedale LGS

Pinedale LP acquired the Pinedale LGS with associated real property rights in the Pinedale Anticline in Wyoming from an indirect wholly-owned subsidiary of Ultra Petroleum on December 20, 2012. The Prudential Insurance Company of America owns an 18.95 percent economic interest in the Pinedale LGS as a co-investor with us.

The Pinedale LGS consists of more than 150 miles of pipelines and four central storage facilities that are utilized by Ultra Petroleum as a method for the gathering of commingled hydrocarbon stream. The Pinedale LGS has a current capacity of approximately 45,000 barrels per day. This stream is separated into its components of water, condensate and natural gas, for the purpose of subsequently storing, selling or disposing of these separated components. Condensate is a valuable hydrocarbon commodity that is sold by Ultra Petroleum; water is transported to disposal wells or a treatment facility for re-use; and natural gas is sold by Ultra Petroleum or otherwise used by Ultra Petroleum for fueling on-site operational equipment. Ultra Petroleum’s non-operating working interest partners in the Pinedale field where the Pinedale LGS is located pay Ultra Petroleum a fee for the use of Ultra Petroleum’s LGS. To date, no major operational issues have been reported with respect to the Pinedale LGS. We believe that the Pinedale LGS is critically necessary to support the exploration of reserves for Ultra Petroleum, which reports the rental expense as part of its Lifting and Operating Expenses (“LOE”) in the field.

The underground pipelines constituting the majority of the Pinedale LGS and certain other components, such as the separators, have useful lives that extend beyond the initial term of the Pinedale Lease Agreement. Additionally, we believe that the Pinedale LGS is capable of being expanded at a relatively low incremental cost by, for example, adding additional separating equipment. Operators in the Pinedale field have indicated estimated average well lives as high as 40 years. For its internal analysis, CORR assumes average Pinedale well lives of 35 years. In December 2016, UPL described Pinedale as having a 4,900 well drilling inventory and a drilling rate of 139 wells per year. Actual wells drilled will be dependent on economics, but these data suggest the potential for multiple decades of drilling location inventory with the last of these wells continuing to produce for 35 years thereafter, providing a long-term perspective on the utility of the Pinedale LGS.

Most of Ultra Petroleum’s exploration and development in the Pinedale field takes place on land under the jurisdiction of the Bureau of Land Management ("BLM"). The BLM has the authority to approve or deny oil and gas leases or to impose environmental restrictions on leases where appropriate. The BLM issued the Pinedale Record of Decision (“ROD”) in September 2008. Under the ROD, Ultra Petroleum gained year-round access to the Pinedale field for drilling and completion activities in development areas, provided Ultra Petroleum conducts an environmental mitigation effort, which includes the use of a liquids gathering system. This additional access resulted in increased drilling efficiencies and allowed for accelerated development of the field.

During the initial fifteen-year term of the Pinedale Lease Agreement, we will receive a fixed minimum annual rent ("base rent"), adjusted annually for changes based on the CPI (subject to a 2 percent annual cap). On January 1, 2017, the base rent increased by 1.05 percent to approximately $20.9 million annually. We also are eligible for a participating rent component based on the increase in volumes, if any, of condensate and water that flowed through the Pinedale LGS over a baseline established at inception of the lease, subject to a maximum annual rental payment during the initial fifteen-year term of $27.5 million.

In view of the fact that Ultra Petroleum leases a substantial portion of the Company's net leased property, which is a significant source of revenues and operating income, its financial condition and ability and willingness to satisfy its obligations under its lease with the Company are expected to have a considerable impact on our results of operations and cash flows.

Ultra Petroleum is currently subject to the reporting requirements of the Exchange Act and is required to file with the SEC annual reports containing audited financial statements and quarterly reports containing unaudited financial statements. The audited financial statements and unaudited financial statements of Ultra Petroleum can be found on the SEC's website at www.sec.gov. The Company makes no representation as to the accuracy or completeness of the audited and unaudited financial statements of Ultra Petroleum, but has no reason to doubt the accuracy or completeness of such information. In addition, Ultra Petroleum has no duty, contractual or otherwise, to advise the Company of any events that might have occurred subsequent to the date of such financial statements which could affect the significance or accuracy of such information.

Additional Information Concerning the Portland Terminal Facility

In January 2014, the Company entered into a triple-net lease with Arc Terminals for use of the Portland Terminal Facility, with the tenant's obligations under the lease guaranteed by Arc Logistics. The Portland Terminal Facility is capable of receiving, storing and delivering crude oil and refined petroleum products. Products are received and delivered via railroad or marine (up to Panamax size vessels). The marine facilities are accessed through a neighboring terminal facility via an owned pipeline. The Portland

Terminal Facility offers heating systems, emulsions and an on-site product testing laboratory as ancillary services. Our ownership interest in the Portland Terminal Facility partially secures borrowings under the CorEnergy Credit Facility. In November 2015, we completed funding of an additional $10 million of terminal-related improvement projects in support of Arc Terminals' commercial strategy to optimize the Portland Terminal Facility and generate stable cash flows, including: (i) upgrade a portion of the existing storage assets; (ii) enhance existing terminal infrastructure; and (iii) develop, design, engineer and construct throughput expansion opportunities.

Our fixed minimum base rents ("base rent") for the initial fifteen-year term increased to approximately $6.2 million following the completion of the improvement projects. The base rent is subject to a cumulative CPI adjustment in year five of the initial term, with annual CPI adjustments thereafter. We are also eligible for a variable rent component based on daily volume increases over base daily volumes defined in the lease. Under the terms of the lease, the lessee has a purchase option on the Portland Terminal Facility beginning in February 2017, which it can exercise with 90 days' notice, as well as lease termination options on the fifth and tenth anniversary of the lease. The purchase option and termination options are subject to payment provisions and termination fees as prescribed under the lease.

In view of the fact that this lease represents approximately 10 percent the Company's net leased property which is a significant source of revenues and operating income, its financial condition and ability and willingness to satisfy its obligations under its lease with the Company, are expected to have a considerable impact on the results of operation going forward.

Arc Logistics is currently subject to the reporting requirements of the Exchange Act and is required to file with the SEC annual reports containing audited financial statements and quarterly reports containing unaudited financial statements. The audited financial statements and unaudited financial statements of Arc Logistics can be found on the SEC's web site at www.sec.gov. The Company makes no representation as to the accuracy or completeness of the audited and unaudited financial statements of Arc Logistics but has no reason to doubt the accuracy or completeness of such information. In addition, Arc Logistics has no duty, contractual or otherwise, to advise the Company of any events that might have occurred subsequent to the date of such financial statements which could affect the significance or accuracy of such information.

Energy Infrastructure Assets Held Through TRSs

MoGas Pipeline System

Our wholly-owned TRS, Corridor MoGas, Inc., owns all of the membership interests that own and operate the MoGas Pipeline System, which consists of an approximately 263-mile interstate natural gas pipeline system in and around St. Louis and extending into central Missouri, and certain related real and personal property. The MoGas Pipeline System, which is regulated by FERC, receives natural gas at three separate receipt points from third party interstate gas pipelines and delivers that gas through 24 different delivery points to investor-owned natural gas distribution companies, municipalities and end users. MoGas has eight firm transportation customers. We provide REIT-qualifying intercompany mortgage financing secured by the real property assets of MoGas and United Property Systems, which allows for a maximum principal balance of $90 million. Our ownership interest in the MoGas Pipeline System partially secures borrowings under the CorEnergy Credit Facility.

Omega Pipeline (Mowood, LLC)

We indirectly hold 100 percent of the equity interests in Omega through Mowood, a TRS of the Company. Mowood is the holding company of Omega, a natural gas service provider located primarily on the Department of Defense's Fort Leonard Wood military post in south-central Missouri. Omega has a long-term contract with the Department of Defense, which was renewed for an additional 10-year term in January 2016, to provide natural gas and gas distribution assets to Fort Leonard Wood through Omega's approximately 75-mile pipeline distribution system on the post. In addition, Omega provides natural gas marketing services to several customers in the surrounding area. We provide REIT qualifying intercompany mortgage financing secured by Omega's real property assets, which allows for a maximum principal balance of $5.3 million. At December 31, 2016 and December 31, 2015, the principal balance outstanding was $5.0 million and $5.2 million, respectively.

Principal Location

Our principal executive office is located at 1100 Walnut Street, Suite 3350, Kansas City, MO 64106.

ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.
PART II
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
Price Range of Common Stock
The Company's common stock is traded on the New York Stock Exchange ("NYSE"), under the symbol "CORR". The following table sets forth the range of high and low sales prices of our common shares and the distributions declared by us for each fiscal quarter for our two most recent fiscal years:

	Price Range		Cash Distribution per Share
	High	Low	
2016			
First quarter	$20.24	$10.90	$ 0.7500
Second quarter	$29.18	$18.22	$ 0.7500
Third quarter	$32.28	$27.10	$ 0.7500
Fourth quarter	$36.04	$23.21	$ 0.7500
2015			
First quarter	$35.25	$31.70	$ 0.6500
Second quarter	$35.00	$30.35	$ 0.6750
Third quarter	$32.65	$21.70	$ 0.6750
Fourth quarter	$26.45	$13.59	$ 0.7500

On December 1, 2015, we completed a 1-for-5 reverse stock split, which was previously approved by our Board of Directors. All issued and outstanding common stock and per share amounts have been retroactively adjusted to reflect this reverse stock split for all periods presented. As of December 31, 2016, we had 32 stockholders of record.
Distributions
Our portfolio of real property assets, promissory notes, and investment securities generates cash flow to us from which we pay distributions to stockholders. The amount of any distribution is recorded by the Company on the ex-dividend date.
The character of distributions made during the year may differ from their ultimate characterization for federal income tax purposes. Although, there is no assurance that we will continue to make regular distributions, we continue to believe that our investments should support sustainable 2017 distributions on a quarterly basis, and an estimated total 2017 annualized distributions of $3.00 per share.
Stock Repurchase Plan
On December 31, 2015, the Board of Director's authorized a share repurchase program for the Company to buy up to $10 million of its common stock from time to time through open market transactions, including block purchases, privately negotiated transactions or otherwise. The timing, manner, price and amount of any repurchases were determined by senior management, depending on market prices and other conditions. Purchases under the program were allowed through December 31, 2016. During the year ended December 31, 2016, the company repurchased 90,613 shares for approximately $2.0 million in cash.
Federal and State Income Taxation
We have elected to be taxed as a REIT under sections 856 through 860 of the Code and applicable Treasury regulations, which set forth the requirements for qualifying as a REIT, commencing with our taxable year beginning January 1, 2013. We believe that we have been organized and operated in a manner so as to qualify for taxation as a REIT under the Code and we intend to continue to operate in such a manner.
For as long as we qualify for taxation as a REIT, we generally will not be subject to Federal corporate income taxes on net income that we currently distribute to stockholders. This treatment substantially eliminates the "double taxation" (at the corporate and security holder levels) that generally results from investment in a "C" corporation. A "C" corporation is

a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed.

As long as we qualify as a REIT, distributions made to our taxable U.S. stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends or retained capital gains) will be taken into account by them as ordinary income, and corporate stockholders will not be eligible for the dividends received deduction as to such amounts. If we received qualified dividend income and designate such portion of our distributions as qualified dividend income in a written notice mailed no later than 60 days after the close of its taxable year, an individual U.S. stockholder may qualify (provided holding period and certain other requirements are met) to treat such portion of the distribution as qualified dividend income, eligible to be taxed at the reduced maximum rate of 20 percent. Distributions in excess of current and accumulated earnings and profits will not be taxable to a stockholder to the extent that they do not exceed the adjusted basis of such stockholder's common stock, but rather will reduce the adjusted basis of such shares as a return of capital. To the extent that such distributions exceed the adjusted basis of a stockholder's common stock, they will be included in income as long-term capital gains (or short-term capital gain if the shares have been held for one year or less), assuming the shares are a capital asset in the hands of the stockholder. Distributions that we properly designate as capital gain dividends will be taxable to stockholders as gains (to the extent they do not exceed our actual net capital gain for the taxable year) from the sale or disposition of a capital asset held for greater than one year. If we designate any portion of a dividend as a capital gain dividend, a U.S. stockholder will receive an Internal Revenue Service Form 1099-Div indicating the amount that will be taxable to the stockholder as a capital gain. As a REIT, we will be subject to corporate level tax on certain built-in gains if such assets are sold during the 5-year period following conversion. Built-in gain assets are assets whose fair market value exceeds the REIT's adjusted tax basis at the time of conversion or the asset was acquired from a C corporation and our initial tax basis in the asset is less than the fair market value of the asset. In addition, a REIT may not have earnings and profits accumulated in a non-REIT year. Thus, upon conversion to a REIT, we paid sufficient dividends in 2013 to distribute all accumulated earnings and profits.

We may, from time to time, own and operate certain properties through C corporation subsidiaries and will treat those subsidiaries as either "qualified REIT subsidiaries," or "taxable REIT subsidiaries." If a REIT owns a corporate subsidiary that is a "qualified REIT subsidiary," the separate existence of that subsidiary generally will be disregarded for Federal income tax purposes. A "taxable REIT subsidiary" is an entity taxable as a corporation in which we own stock and that elected with us to be treated as a taxable REIT subsidiary under Section 856(1) of the Code. A taxable REIT subsidiary is subject to Federal income tax, and state and local income tax where applicable, as a regular "C" corporation.

Our tax expense or benefit attributable to the taxable REIT subsidiary is included in the Consolidated Statements of Income. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Recent Sales of Unregistered Securities

We did not sell any securities during the year ended December 31, 2016, that were not registered under the Securities Act of 1933, nor did we repurchase any equity securities of the Company during the three months ended December 31, 2016.

Performance Graph

The Company operates as a REIT and primarily owns assets in the midstream and downstream U.S. Energy sectors that perform utility-like functions, such as pipelines, storage terminals, rail terminals and gas transmission and distribution assets. The following graph sets forth the cumulative return on our common stock between January 1, 2012 and December 31, 2016, as compared to the following set of relevant indices: FTSE NAREIT All Equity REIT Index ("FTSE NAREIT"), the Dow Jones Utilities Average Index ("DJ UTIL"), the S&P Global Infrastructure Index ("SPGTIND"), and the Alerian MLP Index ("AMZ"). The graph assumes a $100 investment was made on January 1, 2012 in each of our common stock, the FTSE NAREIT, the DJ UTIL, the SPGTIND and the AMZ, and assumes the reinvestment of all cash dividends. The comparisons in the graph below are based on historical data and are not intended to forecast future performance.

Table of Contents Index to Financial Statements Glossary of Defined Terms

The performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

	Cumulative Value of $100 Investment, through December 31					
	2011	2012	2013	2014	2015	2016
CorEnergy Infrastructure Trust, Inc.	$100.00	$78.59	$97.86	$95.46	$47.95	$129.80
FTSE NAREIT All Equity REIT Index	$100.00	$119.70	$123.12	$157.63	$162.08	$176.07
Dow Jones Utilities Average Index	$100.00	$101.64	$114.54	$149.64	$145.06	$171.43
S&P Global Infrastructure Index	$100.00	$111.89	$128.66	$145.36	$128.71	$144.71
Alerian MLP Index	$100.00	$104.80	$133.71	$140.14	$94.46	$111.76

Our shares began trading on the New York Stock Exchange ("NYSE") on February 2, 2007. Since December 3, 2012, the Company's common stock has traded under the symbol "CORR". Previously the common stock traded under the symbol "TTO".

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the financial statements and related notes included in this Annual Report on Form 10-K. The Company’s consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The financial information presented below has been derived from our audited consolidated financial statements, which financial statements have been audited by Ernst & Young LLP, our independent registered public accounting firm. The historical data is not necessarily indicative of results to be expected for any future period. The balance sheet data below reflects the reclassification of deferred financing costs under FASB Accounting Standards Update (ASU) No. 2015-03, Simplifying the Presentation of Debt Issue Costs, which was adopted on January 1, 2016, retrospectively.

Table of Contents Index to Financial Statements Glossary of Defined Terms

	For the Years Ended December 31,				For the Year Ended November 30, 2012	For the One-Month Transition Period Ended December 31, 2012
	2016	2015	2014	2013		
Operating Data						
Total revenue	$89,250,586	$71,288,935	$40,308,573	$31,286,020	$10,573,997	$1,726,901
Net income (loss) attributable to CorEnergy stockholders	29,663,200	12,319,911	7,013,856	4,502,339	12,348,721	(1,503,396)
Net income (loss) attributable to CorEnergy Common stockholders	25,514,763	8,471,083	7,013,856	4,502,339	12,348,721	(1,503,396)
Per Share Data						
Net income (loss) attributable to CorEnergy Common stockholders:						
Basic	$2.14	$0.79	$1.06	$0.93	$6.72	$(0.50)
Diluted	$2.14	$0.79	$1.06	$0.93	$6.72	$(0.50)
Cash dividends declared per common share(1)	$3.000	$2.750	$2.570	$1.875	$2.200	—
Other Data						
AFFO attributable to Common stockholders(2)(3)						
Basic	$4.41	$3.77	$2.82	$2.62	$2.15	N/A
Diluted	$3.93	$3.56	$2.82	$2.62	$2.15	N/A

(1) Dividends in 2013 were affected by the change in year end.
(2) We believe that net income, as defined by U.S. GAAP, is the most appropriate earnings measurement. However, we consider Adjusted Funds From Operations ("AFFO") to be an appropriate measure of operating performance of an equity REIT. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - FFO/AFFO" included in Item 7 of this Annual Report on Form 10-K for a reconciliation of AFFO to our GAAP earnings.
(3) AFFO was not calculated for the one-month transition period ended December 31, 2012.

	As of December 31,				
	2016	2015	2014	2013	2012
Balance sheet data					
Total assets	$650,732,571	$677,979,621	$443,815,842	$283,875,659	$293,661,985
Current debt maturities	7,128,556	66,132,000	3,528,000	2,940,000	—
Long-term debt	193,504,324	150,732,752	63,532,000	67,060,000	70,000,000
CorEnergy equity - Preferred	56,250,000	56,250,000	—	—	—
CorEnergy equity - Common	350,218,436	361,784,244	310,450,347	177,193,340	180,860,539

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

Certain statements included or incorporated by reference in this Annual Report on Form 10-K may be deemed “forward-looking statements” within the meaning of the federal securities laws. In many cases, these forward-looking statements may be identified by the use of words such as “will,” “may,” “should,” “could,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “projects,” “goals,” “objectives,” “targets,” “predicts,” “plans,” “seeks,” or similar expressions. Any forward-looking statement speaks only as of the date on which it is made and is qualified in its entirety by reference to the factors discussed throughout this report.

Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance or results and we can give no assurance that these expectations will be attained. Our actual results may differ materially from those indicated by these forward-looking statements due to a variety of known and unknown risks and uncertainties. Such risks and uncertainties include, without limitation, the risk factors discussed in Part I, Item 1A of this report. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

BUSINESS OBJECTIVE

CorEnergy primarily owns assets in the midstream and downstream U.S. energy sectors that perform utility-like functions, such as pipelines, storage terminals, and transmission and distribution assets. Our objective is to provide stockholders with a stable and growing cash dividend, supported by long-term contracted revenue from operators of our assets, primarily under triple-net participating leases. We believe our leadership team's energy and utility expertise provides CorEnergy with a competitive advantage to own and acquire U.S. energy infrastructure assets in a tax-efficient, transparent REIT.

We also may provide other types of capital, including loans secured by energy infrastructure assets. The assets we own and seek to acquire include pipelines, storage tanks, transmission lines, and gathering systems, among others. The assets are primarily mission-critical, in that utilization of the assets is necessary for the business the operators of those assets seek to conduct and their rental payments are an essential operating expense. We acquire assets that will enhance the stability of our dividend through diversification, while offering the potential for long-term distribution growth. These sale-leaseback or real property mortgage transactions provide the energy company with a source of capital that is an alternative to sources such as corporate borrowing, bond offerings, or equity offerings.

State of the Market

The declines in commodity prices, which began in the latter half of 2014, continued throughout 2015 and into the first quarter of 2016. WTI oil prices bottomed on February 11, 2016 at $26.05 per barrel and natural gas reached a low of $1.611 per MMBtu on March 4, 2016. Since those dates, prices for each have significantly improved. On January 31, 2017, WTI oil closed at $52.81 per barrel and natural gas closed at $3.117 per MMBtu. Oil prices were positively affected by the late November announcement by the Organization of the Petroleum Exporting Countries ("OPEC") that they reached an agreement to reduce production by approximately 1.2 million barrels per day to bring its ceiling to 32.5 million barrels per day as of January 1, 2017. This action could, depending on factors such as U.S. production and OPEC members' willingness to adhere to the policy, move oil prices further upward and create a better balance between global production and demand. For up-to-date commodity prices, please refer to http://www.eia.gov.

CorEnergy, the Alerian MLP Index and the S&P 500 Index hit low price points on February 11, 2016, of $10.90, $199.10, and $1,810.10, respectively, but recovered throughout the rest of the year and into early 2017. The S&P 500 ended January 2017 at $2,278.87 and the Alerian MLP Index rose to $329.53. These are increases of 11 percent and 14 percent, respectively, since the beginning of 2016. The CorEnergy share price, helped by strengthening commodity prices and overall markets, as well as company specific events discussed below, closed at $35.90 on January 31, 2017. This is an increase of 142 percent since the beginning of 2016 and of 229 percent from its low point in February 2016.

Despite the recent strengthening of commodity prices, 2015 and 2016 proved to be volatile years for energy companies. Many were forced to file for bankruptcy protection or found services contracts renegotiated and business operations interrupted. According to court filings, 114 North American oil and gas producers have filed for bankruptcy since the beginning of 2015, 70 of which filed in 2016 (through December 14). The parent companies of two of CorEnergy's largest tenants, Energy XXI and Ultra Petroleum, have been among those companies filing for bankruptcy protection. As expected, these court proceedings weighed heavily on CorEnergy's share price and ability and willingness to access the financial markets in order to fund accretive acquisition to further grow our company. We believe that many investors priced the risk of either our GIGS Lease, or our Pinedale Lease, being rejected or renegotiated at a lower rate into our valuation, pressuring our share price for much of the year. Since the announcement of the Pinedale LGS Lease Assumption on November 11, 2016, which involved the only one of the Company's tenants to enter bankruptcy, CorEnergy shares have rebounded by 29 percent to a closing price of $35.90 on January 31, 2017. On December 30, 2016, the parent company of the tenant of GIGS announced its emergence from bankruptcy.

Evidence of an increasingly positive outlook for energy companies is found in the higher number of rigs coming online. The Baker Hughes rig counts are an important business barometer for the drilling industry and its suppliers. The active rig count acts as a leading indicator of demand for products used in drilling, completing, producing and processing hydrocarbons. When drilling rigs are active, they consume products and services produced by the oil service industry. The Baker Hughes rig count on January 27, 2017 was 712 in the United States, approximately 80 percent of which were oil. This number is up from the 404 rigs counted on May 20 and May 27, 2016, the recent low point, but still significantly below the 1,811 rigs online in the first week of 2015.

As a result of the significant decline in commodity prices, even those energy companies which did not enter into bankruptcy were required to assess both their operating and financial costs. Many companies which were able to survive the downturn in the market emerged with stronger balance sheets and a new outlook on capital spending.

While the markets were largely shut off to energy companies in 2015, 2016 saw an increase in deals and capital raising by industry participants. According to PricewaterhouseCoopers, there were 99 follow-on equity offerings and four initial public offerings of energy companies, raising nearly $36 billion in 2016. Over the same period, 157 investment grade and convertible offerings accessed the debt markets, as well as 48 high yield offerings. Nearly 60 percent of these debt offerings and half of the equity offerings (including all of the IPOs) occurred in the second half of the year. The number of mergers and acquisitions also increased in 2016, with 198 deals valued at approximately $196 billion being consummated (up from 179 deals for roughly the same value in 2015).

The structure and benefits of the master limited partnerships have been at the forefront of many investors and research analysts' questions and reports. In particular, the value of the incentive distribution rights (IDRs), paid to the general partner of many MLPs, has caused concern as companies and investors analyze balance sheets and capital sources. The market has seen a number of these energy companies take action through restructuring their distributions and payout structure and by merging their limited and general partnerships. We believe this will continue to be a major factor in assessing the attractiveness of the MLP vehicle in the future.

CorEnergy believes that our business offers companies an alternative source of capital and we remain in discussions with companies who do not expect to file bankruptcy, but have needs for capital to exploit potential oil and gas reserves. Our team continues to assess these opportunities for assets which fit our underwriting criteria and will provide a long-term benefit to current shareholders through growth and diversification.

The transition to the new administration following the 2016 election cycle has caused questions from the market on potential policy effects to the energy and infrastructure market, international trade and the overall economy. Campaign rhetoric and initial actions of the new administration suggest policies could benefit the energy and infrastructure markets, but uncertainty continues as environmentalist groups continue to pressure the government to maintain stricter regulatory requirements. While we are not anticipating them to have a large direct effect on REITs, uncertainty remains around what tax law changes may be proposed by the new administration.

As with other companies invested primarily in real property and related infrastructure, our share price can be positively or negatively affected by the decisions, or market perception of the decisions, of the Federal Reserve to raise, maintain, or lower interest rates. During its last meeting in 2016 on December 13 and 14, the Federal Reserve chose to raise the target federal funds rate to 0.50 to 0.75 percent, from 0.25 to 0.50 percent, only the second increase in the past decade. The Federal Reserve’s long term inflation objective remained at two percent, partly impacted by earlier declines in energy prices and prices of non-energy imports. In the most recent Federal Reserve meeting on February 1, 2017, interest rates remained unchanged. Nonetheless, the Federal Reserve may increase interest rates in upcoming quarters, which in turn could have a slightly adverse effect on our share price.

On September 1, 2016, Real Estate became a separate sector in the Global Industry Classification Standard ("GICS"). Analysts and news sources expect that this will benefit real estate companies, which in the U.S. consist primarily of REITs, as capital will flow into the sector in order to maintain balanced portfolios. Additionally, market exposure and understanding of REIT structures and their reporting standards are expected to increase as a result of the new GICS categorization. Furthermore, factors which had influenced volatility in the financial sector, but did not necessarily apply to REITs, will no longer have an effect on REITs since they are no longer grouped with other financial companies. We believe that the CorEnergy share price was positively impacted by this change, particularly as a result of the increased holdings of CORR shares by passive index funds which occurred throughout 2016. We anticipate that this could mitigate some share price volatility in the future.

Basis of Presentation

The consolidated financial statements include CorEnergy Infrastructure Trust, Inc., as of December 31, 2016, and its direct and indirect wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

RESULTS OF OPERATIONS

We believe the Lease Revenue, Security Distributions, Financing Revenue, and Operating Results overview presented below provides investors with information that will assist them in analyzing the operating performance of our leased assets, financing notes receivable, other equity securities, and operating entities. As it pertains to other equity securities, the Company believes that net distributions received are indicative of the operating performance of the assets. Accordingly, we have included them in EBITDA, resulting in an adjusted EBITDA metric.

The following is a comparison of lease revenues, security distributions, financing revenue, operating results, and expenses for the calendar years ended December 31, 2016, 2015 and 2014:

	For the Years Ended December 31,		
	2016	2015	2014
Lease Revenue, Security Distributions, Financing Revenue, and Operating Results			
Leases:			
Lease revenue	$67,994,130	$48,086,072	$28,223,765
Other Equity Securities:			
Net cash distributions received	1,028,452	1,021,010	1,955,018
Financing:			
Financing revenue	162,344	1,697,550	1,077,813
Operations:			
Transportation and distribution revenue (1)	21,094,112	21,505,313	11,006,995
Transportation and distribution expense	(6,463,348)	(7,428,937)	(8,591,750)
Net Operations (excluding depreciation, amortization, and ARO accretion)	14,630,764	14,076,376	2,415,245
Total Lease Revenue, Security Distributions, Financing Revenue, and Operating Results	$83,815,690	$64,881,008	$33,671,841
General and administrative	(12,270,380)	(9,745,704)	(7,872,753)
Non-Controlling Interest attributable to Adjusted EBITDA Items	(3,776,365)	(3,851,973)	(3,815,585)
Adjusted EBITDA	$67,768,945	$51,283,331	$21,983,503

(1) MoGas and Omega revenues have been combined and are presented net of Omega's natural gas and propane costs subsequent to the new contract with the DOD executed on January 28, 2016, effective February 1, 2016. In accordance with GAAP, Omega's historical Sales revenue and Cost of sales prior to February 1, 2016, are presented separately, on a gross basis and are included in the Transportation and distribution lines in this table.

Lease Revenue, Security Distributions, Financing Revenue, and Operating Results

Our operating performance was derived primarily from leases of real property assets, distributions from our remaining portfolio of equity investments, financing revenue from our loan agreements, and the operating results of our subsidiaries. Total lease revenue, security distributions, financing revenue, and operating results generated by our investments for the year ended December 31, 2016 was approximately $83.8 million, compared to $64.9 million and $33.7 million for the years ended December 31, 2015 and 2014, respectively.

For the year ended December 31, 2016, lease revenue increased $19.9 million over the prior-year period. The increase was driven primarily by an increase of $20.3 million related to our GIGS asset which was acquired in June 2015. The 2016 period includes a full year of lease revenue related to the GIGS lease ($40.6 million) compared with lease revenues from the second half of 2015 in the prior-year period ($20.3 million). Additionally, base rents for the Portland Terminal Facility increased $176 thousand versus the prior-year period related to completion of the planned construction projects in November 2015. These increases were partially offset by a $638 thousand decline in lease revenues due to the termination of the PNM Lease Agreement on April 1, 2015. Lease revenues for the year ended December 31, 2015, increased $19.9 million compared to lease revenues in 2014. This increase is primarily due to the $20.3 million increase in lease revenues associated with the acquisition of GIGS in June 2015. In addition, base rents for the Portland Terminal Facility increased $1.0 million versus the prior-year period, primarily due to a $755 thousand increase in base rents related to completion of the planned construction projects at the Portland Terminal Facility. Increases in lease revenue for the period also included a $341 thousand increase due to annual CPI escalations pursuant to the Pinedale Lease Agreement. These increases were partially offset by a $1.9 million decline in lease revenues due to the termination of the PNM Lease Agreement on April 1, 2015.

Cash distributions received from our equity securities for the years ended December 31, 2016 and 2015 were approximately $1.0 million per year as compared to approximately $1.9 million for the year ended December 31, 2014. The approximately $900 thousand decrease in 2016 and 2015 as compared to 2014 was a direct result of the sale of our investment in VantaCore during the fourth quarter of 2014. The absence of VantaCore's $1.1 million of distributions received in 2014 was offset by increased cash distributions received from our investment in Lightfoot in the 2015 and 2016 periods. The Company anticipates 2017 cash distributions from our equity securities will be approximately $1.0 million.

Historically, financing revenues have been derived from our loans to BBWS and SWD. For the year ended December 31, 2016, financing revenues declined $1.5 million as compared to the prior-year period. $981 thousand of this decline was attributable to the loans to BBWS which were placed on a non-accrual status during the third quarter of 2015. No financing revenue was recognized on the BBWS loans during 2016. In addition, $501 thousand of the decline was attributable to the loans to SWD which became delinquent during the first quarter of 2016, at which time the Company recorded a loan loss reserve and placed the Four Wood loan on non-accrual basis. Financing revenues for the year ended December 31, 2015, increased $620 thousand compared to the prior-year period. The increase was primarily attributable to $664 thousand of revenue earned on the loan agreements with SWD

Enterprises executed December 2014 partially offset by a $94 thousand decline in revenue on the BBWS loans versus the prior-year period. See Note 4, Financing Notes Receivable, for additional information on the Black Bison and Four Wood financing notes.

For the years ended December 31, 2016, 2015 and 2014, the operations of our subsidiaries, MoGas and Omega, contributed $14.6 million, $14.1 million and $2.4 million, respectively, to Net Operations (excluding depreciation and amortization). Transportation and distribution revenues totaled $21.1 million for the year ended December 31, 2016, $21.5 million for the year ended December 31, 2015, and $11.0 million for the year ended December 31, 2014. The increase in both revenues and the contribution to Net Operations in 2016 and 2015, as compared to the 2014 period, is a result of our acquisition of MoGas in November 2014.

General and Administrative

Total general and administrative expenses for the years ended December 31, 2016, 2015 and 2014 were $12.3 million and $9.7 million and $7.9 million, respectively. The most significant components of the variance from the prior-year periods are outlined in the following table and explained below:

	For the Years Ended December 31,		
	2016	2015	2014
Management fees	$7,174,243	$5,740,276	$3,467,660
Acquisition and professional fees	3,320,581	2,996,787	3,143,216
Other expenses	1,775,556	1,008,641	1,261,877
Total	$12,270,380	$9,745,704	$7,872,753

Management fees are directly proportional to the asset base under management. As such, year-over-year increases are directly related to the acquisition of MoGas in November 2014 followed by the acquisition of GIGS in June 2015 (the fee on GIGS was waived for the second quarter given the timing of the June 30 acquisition). These increases over prior years were partially offset by certain reductions in the asset base, such as the sale of EIP in April 2015 and the disposition of VantaCore in October 2014, as well as the waiver of Management fees by the management company on the non-performing financing notes.

The Management Agreement includes an incentive fee, calculated as a percentage of common stock dividends paid in excess of a predetermined threshold. In June 2015, the Company issued an additional 2.6 million shares of common stock to partially fund the acquisition of GIGS and subsequently raised its quarterly common stock dividend to $0.75 per share on January 26, 2016. The increase in common stock dividends paid and the increase in the number of common shares outstanding resulted in a $415 thousand increase in the incentive fees paid to the Manager for the year ended December 31, 2016, as compared to the prior year. During the years ended December 31, 2016 and 2015, the Manager voluntarily waived approximately $88 thousand and $133 thousand, respectively, of the incentive fees that would have otherwise been payable under the Management Agreement. See "Item 1. Business" and Note 10, in the Notes to the Consolidated Financial Statements included in this report for additional information.

Acquisition and professional fees for the years ended December 31, 2016, 2015 and 2014, were $3.3 million, $3.0 million and $3.1 million, respectively. Acquisition expense represents costs incurred throughout the year as we pursue potential opportunities to expand our REIT-qualified asset portfolio. Generally, we expect asset acquisition expenses to be repaid over time from income generated by acquisitions. However, any particular period may reflect significant expenses arising from third party legal, engineering and consulting fees that are incurred in the early to mid-stages of due diligence. Recently, due to the uncertainty in the energy industry and the number of energy companies going through the bankruptcy process, we have experienced lower asset acquisitions costs. As a result, for the year ended December 31, 2016, the Company spent $520 thousand on acquisition costs, which represented a $350 thousand decline versus the prior-year period. For the year ended December 31, 2015, acquisition costs were $59 thousand less than the prior-year period primarily because acquisition costs expensed in conjunction with the MoGas acquisition in 2014 were greater than costs expensed on opportunities the Company pursued during 2015 that were not completed.

Professional fees for the years ended December 31, 2016, 2015 and 2014 were $2.8 million, $2.1 million and $2.2 million, respectively. Professional fees during the year ended December 31, 2016, increased $673 thousand compared to the prior-year period. The majority of the increase was due to legal and other fees associated with monitoring our

Pinedale and GIGS assets during bankruptcy proceedings of our tenants, and the March 2016 assignment and modification of the Pinedale Credit Facility. Additionally, the Company incurred incremental expenses related to the Black Bison foreclosure and sale activities and the valuation of the Four Woods REIT Loan collateral. Professional fees for the year ended December 31, 2015, decreased $87 thousand versus the prior-year period due to a decrease in tax preparation, audit fees and other professional fees, partially offset by legal fees relating to the refinancing of the Pinedale Credit Facility and to the growth of our asset portfolio.

Other expenses for the years ended December 31, 2016, 2015 and 2014, were $1.8 million, $1.0 million and $1.3 million, respectively. Other expenses for the year ended December 31, 2016, increased $767 thousand versus the prior-year period. Together with valuation and other costs associated with the Black Bison foreclosure, the increases were predominantly related to Black Bison operating costs subsequent to the foreclosure. We also incurred additional costs in 2016 in connection with: (i) travel related to monitoring of our assets and participation in industry conferences; (ii) costs and fees associated with the Company's January 2016 Form S-3 Registration Statement and our February 2016 Prospectus Supplement; and (iii) increased syndicate services fees associated with the CorEnergy Revolver. Annual costs for the year ended December 31, 2015, were $251 thousand less than the prior-year period primarily due to a decline in printing and mailing expense related to prior-period stock offerings, declines in registration and valuation expenses, partially offset by increases in costs incurred in connection with the implementation of a new accounting system, the development and maintenance of our website and transfer agent fees.

Non-Controlling Interest Attributable to Adjusted EBITDA Items

Based on Prudential's 18.95 percent ownership interest in Pinedale LP, the Company is required to make a further adjustment to the adjusted EBITDA presented above to exclude the portion attributable to Prudential's non-controlling interest. For the year ended December 31, 2016, Prudential's interest in adjusted EBITDA totaled $3.8 million as compared to $3.9 million and $3.8 million for the prior-year periods, respectively. The $76 thousand decrease during the current year is attributable to Prudential's proportionate share of Pinedale LP's increase in legal and professional fees incurred in the monitoring of our assets at Pinedale during the tenant's bankruptcy proceedings. For the year ended December 31, 2015, the $36 thousand increase as compared to the prior-year period was primarily attributable to Prudential's proportionate share of Pinedale LP's increase in lease revenue, partially offset by higher legal and professional fees incurred in connection with refinancing efforts related to the Pinedale Credit Facility.

Adjusted EBITDA

Adjusted EBITDA attributable to CorEnergy Stockholders for the year ended December 31, 2016, was $67.8 million as compared to $51.3 million and $22.0 million for the years ended December 31, 2015 and 2014, respectively. As noted above, the increases in adjusted EBITDA were primarily associated with the acquisition of GIGS in June 2015, completion of planned construction projects at the Portland Terminal in November 2015, and the acquisition of MoGas in November 2014, partially offset by reduced revenues related to our financing notes, the sales of EIP in April 2015 and VantaCore in October 2014, and increases in general and administrative expenses.

The following table presents a reconciliation of Adjusted EBITDA to Income Attributable to Common Stockholders as reported in the Consolidated Statements of Income and Comprehensive Income:

	For the Years Ended December 31,		
	2016	2015	2014
Adjusted EBITDA	$67,768,945	$51,283,331	$21,983,503
Other Adjustments:			
Distributions and dividends received in prior period previously deemed a return of capital (recorded as a cost reduction) and reclassified as income in a subsequent period (1)	117,004	371,323	—
Net realized and unrealized gain (loss) on securities, noncash portion	819,850	(1,185,191)	(584,261)
Depreciation, amortization, and ARO accretion	(22,522,871)	(18,766,551)	(13,195,255)
Interest expense, net	(14,417,839)	(9,781,184)	(3,675,122)
Provision for loan losses	(5,014,466)	(13,784,137)	—
Non-controlling interest attributable to depreciation, amortization, and interest expense(2)	2,448,157	2,234,767	2,259,428
Income tax benefit	464,420	1,947,553	225,563
Preferred dividend requirements	(4,148,437)	(3,848,828)	—
Income Attributable to Common Stockholders	$25,514,763	$8,471,083	$7,013,856

(1) We characterize distributions received from private investments estimated based on prior year activity. After receiving the K-1s, which depict the Company's share of income and losses from the investment in the security, previously unrealized gains can be reclassified as dividend income.

(2) ARO accretion expense has no impact on non-controlling interest.

Net Distributions and Dividends Recorded as Income

The following table summarizes the breakout of net distributions and dividends reported as income on the income statement. The table begins with the gross cash distributions and dividend income received from our investment securities during the years ended December 31, 2016, 2015 and 2014. This amount is increased by cash distributions received in a prior period that were, at the time, deemed a return of capital and have been reclassified during the current period as income. Finally, a reduction is shown for cash distributions received in the current period that are deemed a return of capital and, as such, are not included in income received from investment securities. The portion of the distributions that are deemed to be return of capital in any period are based on estimates made at the time such distributions are received. These estimates may subsequently be revised based on information received from the portfolio company after their tax reporting periods are concluded, as the actual character of these distributions is not known until after our fiscal year end.

Net Distributions and Dividends Recorded as Income

	For the Years Ended December 31,		
	2016	2015	2014
Gross distributions and dividends received from investment securities	$1,028,452	$1,021,010	$1,955,018
Add:			
Distributions and dividends received in prior period previously deemed a return of capital (recorded as a cost reduction) and reclassified as income in a subsequent period	117,004	371,323	—
Less:			
Distributions and dividends received in current period deemed a return of capital and not recorded as income (recorded as a cost reduction) in the current period	4,632	121,578	118,235
Net distributions and dividends recorded as income	$1,140,824	$1,270,755	$1,836,783

For the year ended December 31, 2016, the decline in net distributions and dividends recorded as income versus the prior-year period was primarily due to a $254 thousand decrease in adjustments recorded in the first quarter of each year to reclassify previously unrealized gains as dividend income upon the receipt of the annual K-1s, which depict the Company's share of income and losses from the investment in the security. This decrease was partially offset by a change in the characterization of our distributions received from Lightfoot. In the prior year, a higher percentage of the cash we received was deemed return of capital, whereas in the current year, nearly all distributions received were recorded as dividend income. For the year ended December 31, 2015, the $566 thousand decline in net distributions and dividends recorded as income versus the prior-year period was attributable to a $1.1 million decline in distributions from our investment in VantaCore which was sold in October 2014, partially offset by a $120 thousand increase in distributions from Lightfoot and a $371 thousand increase in adjustments recorded in the first quarter to reclassify previously unrealized gains as dividend income upon the receipt of the annual K-1s.

Net Realized and Unrealized Gain (Loss) on Securities

For the year ended December 31, 2016, the noncash portion of net realized and unrealized gains/losses from other equity securities increased $2.0 million from a loss of $1.2 million in the prior year to a gain of $0.8 million in the current year. The increase from the prior-year period is primarily due to a combination of: (i) a $1.7 million increase in unrealized gains due to fluctuations in the valuation of Lightfoot; plus (ii) a prior-year valuation loss of $355 thousand on the Black Bison warrant; minus (iii) a $321 thousand decrease in unrealized gain on the 18-month escrow associated with the sale of VantaCore recognized during the prior-year period; plus (iv) a $254 thousand decrease in adjustments recorded in the first quarter of each year to reclassify previously unrealized gains as dividend income upon the receipt of the annual K-1s, which depict the Company's share of income and losses from the investment in the security.

The increase in valuation of Lightfoot was primarily due to an increase in the public share price of Arc Logistics (NYSE: ARCX), as well as the November 2016 expiration of a previously-applied subordination discount which ranged between 11.8 percent and 15.2 percent at December 31, 2015. ARCX share price on December 31, 2016, was $15.93 per share, an increase of $2.66 per share as compared to the undiscounted share price on December 31, 2015.

For the year ended December 31, 2015, the $601 thousand increase in realized and unrealized losses from other equity securities versus the prior-year period is primarily due to a combination of: (i) a $26 thousand decrease in unrealized losses due to fluctuations in the valuation of Lightfoot; minus (ii) a realized gain of $371 thousand included in the prior year related to VantaCore which was sold on October 1, 2014; minus (iii) a $613 thousand change in the valuation of the Black Bison warrant; plus (iv) a $360 thousand unrealized gain on the 18-month escrow associated with the sale of VantaCore recognized during 2015. For the year ended December 31, 2014, the Company recognized an unrealized loss on the fair value adjustment of our other equity securities of $466 thousand. Further, the characterization of distributions received from public and private investments is estimated based on prior year activity.

Depreciation, Amortization, and ARO Accretion

Depreciation, amortization, and ARO accretion expense increased $3.8 million for the year ended December 31, 2016, as compared to the prior-year period. The increase was primarily a result of including a full year of depreciation, amortization and ARO accretion expense on the GIGS in the current year versus a half-year in 2015. GIGS was acquired on June 30, 3015. This increase was partially offset by a decrease in depreciation expense due to the termination of the PNM lease Agreement on April 1, 2015. For the year ended December 31, 2015, depreciation, amortization and ARO accretion expense increased $5.6 million versus to the prior-year period. The increase is primarily attributable to the acquisitions of GIGS in June 2015 and the MoGas Pipeline in November 2014, partially offset by a decline in depreciation expense due to the termination of the PNM Lease Agreement. Please refer to Note 3 for additional discussion of the PNM Purchase Agreement and its effects on the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Interest Expense

Interest expense increased $4.6 million to $14.4 million for the year ended December 31, 2016, as compared to the prior-year period. The increase was predominantly the result of the debt incurred in connection with the acquisition of GIGS in June of 2015. The Convertible Notes accounted for approximately $4.3 million of the increase while the Company's $45.0 million draw on the CorEnergy Term Loan accounted for approximately $842 thousand of the increase. These increases were partially offset by the Company internally refinancing its pro rata share of the Pinedale Credit Facility on March 30, 2016, which resulted in a reduction of the outstanding debt balance with third parties in comparison to the prior-year period. In addition, the deferred debt costs associated with the Pinedale Credit Facility were fully amortized as of March 30, 2016.

For the year ended December 31, 2015, interest expense increased $6.1 million from the prior-year period. The increase resulted primarily from the debt incurred in connection with the acquisition of GIGS. The Convertible Notes accounted for approximately $4.5 million of the increase while the Company's $45.0 million draw on the Regions Term Loan accounted for approximately $718 thousand of the increase. The Company also had higher deferred debt costs amortization and experienced higher unused fees related to the November 2014 and July 2015 upsizings of the CorEnergy Credit Facility compared to the prior-year period.

Non-Controlling Interest Attributable to Depreciation, Amortization, and Interest Expense

Due to Prudential's 18.95 percent ownership interest in Pinedale LP, the Company must make adjustments for non-controlling interests. For the year ended December 31, 2016, non-controlling interest attributable to depreciation, amortization and interest expense increased $213 thousand compared to prior-year period. The increase is attributable to an increase in interest expense and related costs associated with the amendment and modification of the Pinedale Credit Facility on March 30, 2016. For the year ended December 31, 2015, non-controlling interest attributable to depreciation, amortization and interest expense decreased $25 thousand as compared to prior-year period primarily due to periodic amortization of the Pinedale Credit Facility debt.

Net Income Attributable to CorEnergy Stockholders

For the year ended December 31, 2016, net income attributable to CorEnergy stockholders was $29.7 million, as compared to $12.3 million, for the prior year. After deducting $4.1 million for the portion of preferred dividends that are allocable to the current year, net income attributable to common stockholders was $25.5 million, or $2.14 per basic and diluted common share as compared to $8.5 million, or $0.79 per basic and diluted common share, for the prior year. For the year ended December 31, 2014, net income attributable to CorEnergy stockholders was $7.0 million, or $1.06 per basic and diluted common share.

Common Equity Attributable to CorEnergy Shareholders per Share

As of December 31, 2016, our common equity decreased by approximately $11.6 million to $350.2 million from $361.8 million as of December 31, 2015. This decrease principally consists of dividends paid to our common shareholders of approximately $35.7 million and additional decreases attributable to $2.0 million used to repurchase common stock and a $202 thousand decline in accumulated other comprehensive income associated with our interest rate derivative contracts. These decreases were partially offset by net income attributable to CorEnergy common stockholders of approximately $25.5 million and $876 thousand of dividends issued under the DRIP or director's compensation plans. The table below does not reflect non-controlling interest equity.

Table of Contents Index to Financial Statements Glossary of Defined Terms

Book Value Per Share

Analysis of Equity	December 31, 2016	December 31, 2015
Series A Cumulative Redeemable Preferred Stock 7.375%, $56,250,000 liquidation preference ($2,500 per share, $0.001 par value), 10,000,000 authorized; 22,500 issued and outstanding at December 31, 2016, and December 31, 2015	$56,250,000	$56,250,000
Capital stock, non-convertible, $0.001 par value; 11,886,216 and 11,939,697 shares issued and outstanding at December 31, 2016, and December 31, 2015 (100,000,000 shares authorized)	11,886	11,940
Additional paid-in capital	350,217,746	361,581,507
Accumulated other comprehensive income (loss)	(11,196)	190,797
Total CorEnergy Stockholders' Equity	406,468,436	418,034,244
Subtract: 7.375% Series A cumulative redeemable preferred stock	(56,250,000)	(56,250,000)
Total CorEnergy Common Equity	$350,218,436	$361,784,244
Common shares outstanding	11,886,216	11,939,697
Book Value per Common Share	$29.46	$30.30

NAREIT FFO

FFO is a widely-used measure of the operating performance of real estate companies that supplements net income (loss) determined in accordance with GAAP. As defined by the National Association of Real Estate Investment Trusts, NAREIT FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, impairment losses of depreciable properties, real estate-related depreciation and amortization (excluding amortization of deferred financing costs or loan origination costs), and after adjustments for unconsolidated partnerships and non-controlling interests. Adjustments for non-controlling interests are calculated on the same basis. We define FFO attributable to common stockholders as defined above by NAREIT less dividends on preferred stock. Our method of calculating FFO attributable to common shareholders may differ from methods used by other REITs and, as such, may not be comparable.

FFO ADJUSTED FOR SECURITIES INVESTMENTS (FFO)

Due to the legacy investments that we hold, we have also historically presented a measure of FFO, to which we refer herein as FFO Adjusted for Securities Investments which is derived by further adjusting NAREIT FFO for distributions received from investment securities, income tax expense (benefit) from investment securities, net distributions and dividend income, and net realized and unrealized gain or loss on other equity securities.

We present NAREIT FFO and FFO Adjusted for Securities Investments because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors, and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is a key measure used by the Company in assessing performance and in making resource allocation decisions.

Both NAREIT FFO and FFO Adjusted for Securities Investments are intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions, and that may also be the case with the energy infrastructure assets in which we invest. NAREIT FFO and FFO Adjusted for Securities Investments exclude depreciation and amortization unique to real estate and gains and losses from property dispositions and extraordinary items. As such, these performance measures provide a perspective not immediately apparent from net income when compared to prior-year periods. These metrics reflect the impact to operations from trends in base and participating rents, company operating costs, development activities, and interest costs.

We calculate NAREIT FFO in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts in its March 1995 White Paper (as amended in November 1999 and April 2002) and FFO Adjusted for Securities Investment as NAREIT FFO with additional adjustments described above due to our legacy investments. This may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly may not be comparable to such other REITs. NAREIT FFO and FFO Adjusted for Securities Investments do not represent amounts available for management's discretionary use because of needed capital for replacement or expansion, debt service obligations, or other commitments and uncertainties. NAREIT FFO and FFO Adjusted for Securities Investments, as historically reported by the Company, should not be considered as an alternative to net income (computed in accordance with GAAP), as an indicator of our financial performance, or to cash flow from operating activities (computed in accordance with GAAP), as an indicator of our liquidity, or as an indicator of funds available for our cash needs, including our ability to make distributions or to service our indebtedness.

Table of Contents Index to Financial Statements Glossary of Defined Terms

AFFO

Management uses Adjusted FFO ("AFFO") as a measure of long-term sustainable operational performance. AFFO in excess of dividends is used for debt repayment, reinvestments, funding our ARO liability, or other commitments and uncertainties which are necessary to sustain our dividend over the long term. AFFO should not be considered as an alternative to net income (computed in accordance with GAAP), as an indicator of our financial performance, or as an alternative to cash flow from operating activities (computed in accordance with GAAP), as an indicator of our liquidity, or as an indicator of funds available for our cash needs, including our ability to make distributions or service our indebtedness.

For completeness, the following table sets forth a reconciliation of our net income as determined in accordance with GAAP and our calculations of NAREIT FFO, FFO Adjusted for Securities Investments, and AFFO for the calendar years ended December 31, 2016, 2015 and 2014. AFFO is a supplemental, non-GAAP financial measure which we define as FFO Adjusted for Securities Investment plus provision for loan losses, net of tax, transaction costs, amortization of debt issuance costs and debt discounts, amortization of deferred lease costs, accretion of asset retirement obligation, income tax expense (benefit) unrelated to securities investments and provision for loan losses, above-market rent, noncash costs associated with derivative instruments, and certain costs of a nonrecurring nature, less maintenance, capital expenditures (if any), amortization of debt premium, and other adjustments as deemed appropriate by Management. Also presented is information regarding the weighted-average number of shares of our common stock outstanding used for the computation of per share data:

NAREIT FFO, FFO Adjusted for Securities Investment, and AFFO Reconciliation

	For the Years Ended December 31,		
	2016	2015	2014
Net Income attributable to CorEnergy Stockholders	$29,663,200	$12,319,911	$7,013,856
Less:			
Preferred Dividend Requirements	4,148,437	3,848,828	—
Net Income attributable to Common Stockholders	$25,514,763	$8,471,083	7,013,856
Add:			
Depreciation	21,704,275	18,351,011	13,133,886
Less:			
Non-Controlling Interest attributable to NAREIT FFO reconciling items	1,645,819	1,645,819	1,645,820
NAREIT funds from operations (NAREIT FFO)	$45,573,219	$25,176,275	18,501,922
Add:			
Distributions received from investment securities	1,028,452	1,021,010	1,941,757
Income tax expense (benefit) from investment securities	760,036	(196,270)	656,498
Less:			
Net distributions and dividend income	1,140,824	1,270,755	1,823,522
Net realized and unrealized gain (loss) on other equity securities	824,482	(1,063,613)	(466,026)
Funds from operations adjusted for securities investments (FFO)	$45,396,401	$25,793,873	19,742,681
Add:			
Provision for loan losses, net of tax	4,409,359	12,526,701	—
Transaction costs	520,487	870,128	929,188
Amortization of debt issuance costs	2,025,478	1,822,760	801,825
Amortization of deferred lease costs	91,932	76,498	61,369
Accretion of asset retirement obligation	726,664	339,042	—
Income tax benefit	(619,349)	(493,847)	(882,061)
Amortization of above market leases	—	72,987	291,937
Unrealized gain associated with derivative instruments	(75,591)	(70,333)	(70,720)
Less:			
EIP Lease Adjustment (1)	—	542,809	2,171,236
Non-Controlling Interest attributable to AFFO reconciling items	37,113	88,645	92,785
Adjusted funds from operations (AFFO)	$52,438,268	$40,306,355	$18,610,198
Weighted Average Shares of Common Stock Outstanding:			
Basic	11,901,985	10,685,892	6,605,715
Diluted (2)	15,368,370	12,461,733	6,605,715
NAREIT FFO attributable to Common Stockholders			
Basic	$3.83	$2.36	$2.80
Diluted (2)	$3.54	$2.35	$2.80
FFO attributable to Common Stockholders			
Basic	$3.81	$2.41	$2.99
Diluted (2)	$3.53	$2.40	$2.99
AFFO attributable to Common Stockholders			
Basic	$4.41	$3.77	$2.82
Diluted (2)	$3.93	$3.56	$2.82

(1) Based on the economic return to CorEnergy resulting from the sale of our 40 percent undivided interest in EIP, we determined that it was appropriate to eliminate the portion of EIP lease income attributable to return of capital, as a means to more accurately reflect the EIP lease revenue contribution to CorEnergy-sustainable AFFO. CorEnergy

believes that the portion of the EIP lease revenue attributable to return of capital, unless adjusted, overstates CorEnergy's distribution-paying capabilities and is not representative of sustainable EIP income over the life of the lease. The Company completed the sale of EIP on April 1, 2015.
(2) The number of weighted average diluted shares represents the total diluted shares for periods when the Convertible Notes were dilutive in the per share amounts presented. For periods presented without per share dilution, the number of weighted average diluted shares for the period is equal to the number of weighted average basic shares presented.

NAREIT FFO, FFO Adjusted for Securities Investments (FFO) and AFFO Reconciliation

	For the Quarters Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Net Income attributable to CorEnergy Stockholders	$8,086,367	$9,231,185	$8,954,527	$3,391,121
Less:				
Preferred Dividend Requirements	1,037,110	1,037,109	1,037,109	1,037,109
Net Income attributable to Common Stockholders	7,049,257	8,194,076	7,917,418	2,354,012
Add:				
Depreciation	5,537,676	5,537,179	5,539,667	5,089,753
Less:				
Non-Controlling Interest attributable to FFO reconciling items	411,454	411,455	411,455	411,455
NAREIT funds from operations (NAREIT FFO)	12,175,479	13,319,800	13,045,630	7,032,310
Add:				
Distributions received from investment securities	274,797	278,782	215,139	259,734
Income tax expense (benefit) from investment securities	56,825	645,083	533,765	(475,637)
Less:				
Net distributions and dividend income	273,559	277,523	214,169	375,573
Net realized and unrealized gain (loss) on other equity securities	(177,289)	1,430,858	1,199,665	(1,628,752)
Funds from operations adjusted for securities investments (FFO)	12,410,831	12,535,284	12,380,700	8,069,586
Add:				
Provision for loan losses, net of tax	—	—	369,278	4,040,081
Transaction costs	448,588	33,984	1,000	36,915
Amortization of debt issuance costs	468,871	469,004	470,506	617,097
Amortization of deferred lease costs	22,983	22,983	22,983	22,983
Accretion of asset retirement obligation	184,103	184,104	174,375	184,082
Income tax benefit	(159,709)	(161,931)	(123,327)	(174,382)
Unrealized (gain) loss associated with derivative instruments	(72,773)	(60,513)	33,820	23,875
Less:				
Non-Controlling Interest attributable to AFFO reconciling items	1,960	(10,715)	9,064	36,804
Adjusted funds from operations (AFFO)	$13,300,934	$13,033,630	$13,320,271	$12,783,433
Weighted Average Shares of Common Stock Outstanding:				
Basic	11,879,808	11,872,729	11,912,030	11,943,938
Diluted (1)	15,334,353	15,327,274	15,396,879	15,428,787
NAREIT FFO attributable to Common Stockholders				
Basic	$1.02	$1.12	$1.10	$0.59
Diluted (1)	$0.94	$1.01	$0.99	$0.59
FFO attributable to Common Stockholders				
Basic	$1.04	$1.06	$1.04	$0.68
Diluted (1)	$0.95	$0.96	$0.95	$0.67
AFFO attributable to Common Stockholders				
Basic	$1.12	$1.10	$1.12	$1.07

Diluted [1]	$1.00	$0.98	$0.99	$0.96

(1) The number of weighted average diluted shares represents the total diluted shares for periods when the Convertible Notes were dilutive in the per share amounts presented. For periods presented without per share dilution, the number of weighted average diluted shares for the period is equal to the number of weighted average basic shares presented.

FEDERAL AND STATE INCOME TAXATION

In 2013 we qualified, and in March 2014 elected (effective as of January 1, 2013), to be treated as a REIT for federal income tax purposes (which we refer to as the "REIT Election"). Because certain of our assets may not produce REIT-qualifying income or be treated as interests in real property, those assets are held in wholly-owned TRSs in order to limit the potential that such assets and income could prevent us from qualifying as a REIT.

For the years ended in 2012 and before, the distributions we made to our stockholders from our earnings and profits were treated as qualified dividend income ("QDI") and return of capital. QDI is taxed to our individual shareholders at the maximum rate for long-term capital gains, which through tax year 2012 was 15 percent and beginning in tax year 2013 is 20 percent. The Company elected to be taxed as a REIT for 2013 and subsequent years rather than a C corporation and generally will not pay federal income tax on taxable income of the REIT that is distributed to our stockholders. As a REIT, our distributions from earnings and profits will be treated as ordinary income and a return of capital, and generally will not qualify as QDI. To the extent that the REIT had accumulated C corporation earnings and profits from the periods prior to 2013, we distributed such earnings and profits in 2013. A portion of our normal distributions in 2013 have been characterized for federal income tax purposes as a distribution of those earnings and profits from non-REIT years and have been treated as QDI. In addition, to the extent we receive taxable distributions from our TRSs, or the REIT received distributions of C corporation earnings and profits, such portion of our distribution will be treated as QDI.

As a REIT, the Company holds and operates certain of our assets through one or more wholly-owned TRSs. Our use of TRSs enables us to continue to engage in certain businesses while complying with REIT qualification requirements and also allows us to retain income generated by these businesses for reinvestment without the requirement of distributing those earnings. In the future, we may elect to reorganize and transfer certain assets or operations from our TRSs to the Company or other subsidiaries, including qualified REIT subsidiaries.

The Company's trading securities and other equity securities are limited partnerships or limited liability companies which are treated as partnerships for federal and state income tax purposes. As a limited partner, the Company reports its allocable share of taxable income in computing its own taxable income. To the extent held by a TRS, the TRS's tax expense or benefit is included in the Consolidated Statements of Income based on the component of income or gains and losses to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

If we cease to qualify as a REIT, the Company, as a C corporation, would be obligated to pay federal and state income tax on its taxable income. Currently, the highest regular marginal federal income tax rate for a corporation is 35 percent. The Company may be subject to a 20 percent federal alternative minimum tax on its federal alternative minimum taxable income to the extent that its alternative minimum tax exceeds its regular federal income tax.

SEASONALITY

Our operating companies, MoGas and Omega, have stable revenues throughout the year and will complete necessary pipeline maintenance during the "non-heating" season, or quarters two and three. Therefore, operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

MAJOR TENANTS

As of December 31, 2016, the Company had three significant leases. For additional information concerning each of these leases, see "Item 2 - Properties" and Note 3 in the Notes to the Consolidated Financial Statements included in this report. The table below displays the impact of significant leases on total leased properties and total lease revenues for the periods presented.

	As a Percentage of (1)				
	Leased Properties		Lease Revenues		
	As of December 31,		For the Years Ended December 31,		
	2016	2015	2016	2015	2014
Pinedale LGS	39.8%	40.0%	30.4%	42.9%	71.9%
Grand Isle Gathering System	50.0%	50.1%	59.8%	42.3%	—
Portland Terminal Facility	9.9%	9.6%	9.7%	13.3%	19.0%
Public Service of New Mexico(2)	—	—	—	1.3%	9.1%

(1) Insignificant leases are not presented; thus percentages may not sum to 100%.
(2) The Public Service of New Mexico lease terminated on April 1, 2015.

ASSET PORTFOLIO AND RELATED DEVELOPMENTS

Descriptions of our asset portfolio and related operations, other than our remaining private equity securities as of December 31, 2016, are included in "Item 2 - Properties" and in Notes 3, 4, 5 and 6 in the Notes to the Consolidated Financial Statements included in this report. This section provides additional information concerning material developments related to our asset portfolio, including our remaining private equity securities, during the period ended December 31, 2016 and through the date of this report.

Grand Isle Gathering System

The depressed commodity environment negatively impacted the operational and financial condition of EXXI. On April 14, 2016, EXXI and substantially all of its directly and indirectly owned subsidiaries filed a voluntary petition to reorganize under Chapter 11 Bankruptcy Code, after reaching an agreement with certain creditors to provide support for a restructuring of its debt. CorEnergy's tenant under the GIGS Lease, Energy XXI GIGS Services, LLC did not file for bankruptcy. Therefore, its obligations under the GIGS Lease were not subject to the bankruptcy proceedings. Our tenant made timely rent payments in accordance with the GIGS lease.

The bankruptcy filing of the guarantor of the Grand Isle Gathering System Lease, EXXI, and its failure to make interest payments to its creditors within the applicable cure period, would have constituted defaults under the terms of the GIGS Lease. However, CorEnergy provided a conditional waiver to certain remedies of these defaults. This allowed CorEnergy’s tenant to remain outside the bankruptcy proceedings.

On December 30, 2016, EXXI emerged from bankruptcy with a $300 million credit facility after extinguishing approximately $3.6 billion in debt. The new board of directors has subsequently announced changes in senior management. The company has stated expectations on capital expenditures for 2017 to be in the range of $140 to $170 million and that it expects to execute numerous recompletions during 2017. The succeeding company is named Energy XXI Gulf Coast, Inc.

As a result of its emergence from bankruptcy, EXXI’s common stock ceased trading on the OTC market.On February 28, 2017, EXXI's common stock commenced trading on the NASDAQ under the trading symbol EXXI.

Pinedale LGS

The depressed commodity environment also negatively impacted the operational and financial condition of Ultra Petroleum ("UPL"). UPL filed on April 29, 2016, a voluntary petition to reorganize under Chapter 11. The filing included Ultra Wyoming LGS, LLC, the operator of the Pinedale LGS and tenant of the Pinedale Lease Agreement. The bankruptcy filing of both the guarantor, Ultra Petroleum, and the tenant and circumstances prompting the filing constituted defaults under the terms of the Pinedale Lease Agreement. The bankruptcy filing serves as a stay of the Company's ability to exercise remedies for certain of those defaults.

UPL has stated its intentions to continue normal operations during the bankruptcy proceedings and our tenant has continued to make timely rental payments in accordance with the Pinedale Lease Agreement. In October of 2016, CorEnergy and Ultra Wyoming agreed to a non-binding mediation which resulted in an agreement to assume the Pinedale Lease without amendment. This lease assumption was approved by the Bankruptcy Court on November 28, 2016.

On February 13, 2017, UPL received court approval of its Disclosure Statement, and its confirmation hearing is scheduled to begin on March 14, 2017. CorEnergy will continue to monitor, and take appropriate actions with respect to, the information disclosed throughout the proceedings.

On May 2, 2016, UPL was delisted from the NYSE Stock Market as a result of failing to meet certain listing standards. UPL has begun trading on the OTC Pink Market under the symbol UPLMQ.

MoGas Pipeline

On June 1, 2016, the Federal Energy Regulatory Commission (“FERC”) authorized MoGas to sell its natural gas pipeline facilities to an affiliate, CorEnergy Pipeline Company, LLC (“CPC”). FERC authorized MoGas to lease these same facilities back from CPC and continue to serve as operator of the facilities. FERC also authorized MoGas to consolidate its accounting with CPC so that MoGas’s lease payments to CPC would be offset by the equivalent revenue received by CPC. If consummated, the sale and leaseback transaction authorized by FERC would position lease payments that MoGas makes to CPC to qualify as REIT rental income should CorEnergy sell a majority stake in MoGas stock to an unaffiliated third party. At the time of such sale, MoGas would be required to seek FERC approval to combine its accounts with the third-party owner.

Effective March 1, 2017, MoGas entered into a long-term firm transportation services agreement with Laclede Gas, its largest customer. The agreement, which amends a prior agreement, extends Laclede's existing firm transportation agreement's termination date from October 31, 2017 to October 31, 2030. During the entire extended term, Laclede will reserve 62,800 dekatherms per day of firm transportation capacity on MoGas. This service will continue at the full tariff rate of $12.385 per dekatherm per month until October 31, 2018, at which time the rate will be reduced to $6.386 per dekatherm per month for the remainder of the agreement.

CorEnergy intends to act upon a number of initiatives which management believes will largely offset the decrease in revenue from the discounted rate in 2019 and beyond.

Black Bison

On February 29, 2016, the Company foreclosed on 100 percent of the equity of BB Intermediate, the holding company of Black Bison Water Services, LLC, the borrower of the Black Bison financing note receivable. See Note 4 in the Notes to the Consolidated Financial Statements in this report for additional information.

On June 16, 2016, the Company sold substantially all of the assets of BBWS and its subsidiaries to Expedition Water Solutions for a combination of cash plus an earn-out. CorEnergy received $1.0 million of cash, before fees, upon closing the agreement, retained certain working capital investments, and will receive royalty payments of up to $6.5 million on future operating revenue generated by BBWS. Royalty payments will not increase AFFO. Royalty payments received in 2016 were immaterial.

Four Wood

Effective October 1, 2016, a portion of the Financing Notes with SWD Enterprises, LLC were restructured. The interest rate on the $4.0 million REIT Loan was reduced to 10 percent and required principal amortization was delayed until September 30, 2018. We expect to convert the $1.0 million TRS loan into an ownership interest in the borrower in the form of a preferred equity interest. Cash and accrued interest will not increase AFFO until Four Wood generates sustainable operating margins and the reserve for collection has been removed.

Omega Pipeline

On January 28, 2016, Omega was awarded a new 10-year contract with the Department of Defense, to provide natural gas and gas distribution assets to Fort Leonard Wood through Omega's approximately 70-mile pipeline distribution system on the military base. As a result of the new contract natural gas and propane costs are being presented on a net basis in transportation and distribution revenue. See Note 2 in the Notes to the Consolidated Financial Statements in this report for additional information.

Private Security Assets

Lightfoot

We hold a direct investment in Lightfoot Capital Partners, LP (6.6 percent) and Lightfoot Capital Partners GP LLC (1.5 percent). Lightfoot's assets include an ownership interest in Gulf LNG, a 1.5 billion cubic feet per day ("bcf/d") receiving, storage, and regasification terminal in Pascagoula, Mississippi, and common units and subordinated units representing an approximately 40 percent aggregate limited partner interest, and a noneconomic general partner interest, in Arc Logistics Partners LP (NYSE: ARCX). We hold observation rights on Lightfoot's Board of Directors. As of December 31, 2016, our investment in Lightfoot represents approximately 1.4 percent of the Company's total assets. The following table is a summary of the fair value of Lightfoot at December 31, 2016, as compared to the fair value at December 31, 2015:

Fair Value of Other Equity Securities

	Fair Value At December 31, 2016	Fair Value At December 31, 2015	$ Change	% Change
Lightfoot	$9,287,209	$8,393,683	$893,526	10.6 %

The fair value of Lightfoot as of December 31, 2016 increased approximately $894 thousand, or 10.6 percent, as compared to the value at December 31, 2015. The increase was primarily due to an increase in the public share price of Arc Logistics (ARCX), as well as the November 2016 expiration of a previously-applied subordination discount which ranged between 11.8 percent and 15.2 percent at December 31, 2015. ARCX share price on December 31, 2016, was $15.93 per share, an increase of $2.66 per share as compared to the undiscounted share price on December 31, 2015.

During the fourth quarter, the Company received distributions of $271 thousand and expects these distributions to be funded primarily by Lightfoot's distributions from Arc Logistics and Gulf LNG. Total quarterly distributions received during the year ended December 31, 2016 were approximately $1.0 million. Both the ability of Arc Logistics and Gulf

LNG to make quarterly distributions and the amount of such distributions will be dependent on Arc Logistics' and Gulf LNG's business results, and neither Arc Logistics, Gulf LNG, nor Lightfoot is under any obligation to make such distributions. On March 1, 2016, an affiliate of Gulf LNG received a Notice of Disagreement and Disputed Statements and a Notice of Arbitration from Eni USA Gas Marketing L.L.C. (“Eni USA”), one of the two companies that had entered into a terminal use agreement for capacity of the liquefied natural gas facility owned by Gulf LNG and its subsidiaries. Should Eni USA terminate its agreement with Gulf LNG, this could materially

56

impact Arc Logistics and Gulf LNG's ability to fund their distributions to the Company. Accordingly, there can be no assurance that our expectations concerning 2017 distributions from Lightfoot will be realized.

VantaCore

The company received its final escrow distribution of $1.4 million on April 1, 2016.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual payment obligations as of December 31, 2016:

Contractual Obligations

	Notional Value	Less than 1 year	1-3 years	3-5 years	More than 5 years
Pinedale LP Debt (1)	$8,860,578	$668,556	$1,337,112	$6,854,910	$ —
Interest payments on Pinedale LP Debt (1)		693,843	1,223,432	687,499	—
Convertible Debt	$114,000,000	—	—	114,000,000	—
Interest payments on Convertible Debt		7,980,000	15,960,000	3,990,000	—
CorEnergy Term Note (2)	$36,740,000	6,460,000	30,280,000	—	—
Interest payment on CorEnergy Term Note		1,308,599	1,874,770	—	—
CorEnergy Revolver	$44,000,000	—	44,000,000	—	—
Interest payment on CorEnergy Revolver		1,677,378	3,295,013	—	—
Totals		$18,788,376	$97,970,327	$125,532,409	$ —

(1) The amounts for Pinedale LP debt above represent Prudential's share of the principal and interest payments which is 18.95 percent of the total. The Company's share of the principal and interest are eliminated in consolidation as these became intercompany on March 30, 2016, due to CorEnergy taking over with Prudential as Refinancing Lenders on the Pinedale LP note. See Footnote 12, Credit Facilities, for further information.

(2) The amount shown as the Notional Value for the CorEnergy Term Note represents the outstanding principal balance at December 31, 2016.

Fees paid to Corridor under the Management Agreement and the Administrative Agreement are not included because they vary as a function of the value of our total asset base. For additional information see Note 10 in the Notes to the Consolidated Financial Statements in this report.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have, and are not expected to have, any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

DIVIDENDS

Our portfolio of real property assets, promissory notes, and investment securities generates cash flow to us from which we pay distributions to stockholders. For the period ended December 31, 2016, the sources of our stockholder distributions include lease revenue, transportation and distribution revenue from our real property assets, and distributions from our investment securities. Distributions to common stockholders are recorded on the ex-dividend date and distributions to preferred stockholders are recorded when declared by the Board of Directors. The characterization of any distribution for federal income tax purposes will not be determined until after the end of the taxable year. Refer to Note 7 in the Notes to the Consolidated Financial Statements in this report for information on characterization of distributions for federal income tax purposes for the years ended December 31, 2016, 2015 and 2014.

A REIT is generally required to distribute during the taxable year an amount equal to at least 90 percent of the REIT taxable income (determined under Internal Revenue Code section 857(b)(2), without regard to the deduction for dividends paid). We intend to adhere to this requirement in order to maintain our REIT status. The Board of Directors will continue to determine the amount of any distribution that we expect to pay our stockholders. Dividend payouts may be affected by cash flow requirements and remain subject to other risks and uncertainties. There is no assurance that we will continue to make regular distributions.

The following table sets forth common stock distributions for the years ended December 31, 2016, 2015 and 2014. Distributions are shown in the period in which they were declared. On December 1, 2015, we completed a 1-for-5 reverse stock split, which was previously approved by our Board of Directors. All issued and outstanding common stock distributions per share have been retroactively adjusted to reflect this reverse stock split for all periods presented.

Common Dividends	Amount
2016	
Fourth Quarter	$0.7500
Third Quarter	$0.7500
Second Quarter	$0.7500
First Quarter	$0.7500
2015	
Fourth Quarter	$0.7500
Third Quarter	$0.6750
Second Quarter	$0.6750
First Quarter	$0.6500
2014	
Fourth Quarter	$0.6500
Third Quarter	$0.6500
Second Quarter	$0.6450
First Quarter	$0.6250

The following table sets forth preferred stock distributions for the years ended December 31, 2016 and 2015.

Preferred Dividends	Amount
2016	
Fourth Quarter	$0.4609
Third Quarter	$0.4609
Second Quarter	$0.4609
First Quarter	$0.4609
2015	
Fourth Quarter	$0.4609
Third Quarter	$0.4609
Second Quarter	$0.6351
First Quarter(1)	$—

(1) The larger initial payment in the second quarter of 2015 included dividends accrued for the partial first quarter from the January 27, 2015 date of issuance.

On February 28, 2017, the Company paid fourth quarter dividends of $.075 per share of common stock and $0.4609375 per depositary share for the Company's 7.375% Series A Cumulative Redeemable Preferred Stock.

IMPACT OF INFLATION AND DEFLATION

Deflation can result in a decline in general price levels, often caused by a decrease in the supply of money or credit. The predominant effects of deflation are high unemployment, credit contraction, and weakened consumer demand. Restricted lending practices could impact our ability to obtain financings or to refinance our properties and our tenants' ability to obtain credit. During inflationary periods, we intend for substantially all of our tenant leases to be designed to mitigate the impact of inflation. Generally, our leases include rent escalators that are based on the CPI, or other agreed upon metrics that increase with inflation.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At December 31, 2016, we had liquidity of approximately $60.0 million comprised of cash of $7.9 million plus revolver availability of $52.1 million. We use cash flows generated from our operations to fund current obligations, projected working capital requirements, debt service payments and dividend payments. Management expects that future operating cash flows, along with access to financial markets, will be sufficient to fund future operating requirements and acquisition opportunities. If our ability to access the capital markets is restricted or if debt or equity capital were unavailable on favorable terms, or at all, our ability to fund acquisition opportunities or to comply with the REIT distribution rules could be adversely affected.

There are acquisition opportunities that are in preliminary stages of review, and consummation of any of these opportunities depends on a number of factors beyond our control. There can be no assurance that any of these acquisition opportunities will result in consummated transactions. As part of our disciplined investment philosophy, we plan to use a moderate level of leverage, approximately 25 percent to 50 percent of assets, supplemented with accretive equity issuance as needed, subject to current market conditions. We may invest in assets subject to greater leverage which could be both recourse and non-recourse to us.

Cash Flows - Operating, Investing, and Financing Activities

Cash Flows from Operating Activities

For the year ended December 31, 2016, cash provided by operating activities totaled approximately $51.1 million, representing an increase of approximately $8.5 million as compared to the year ended December 31, 2015. The significant factors impacting the increase are as follows:

- GIGS lease payments began July 1, 2015 and therefore, twelve months of rent during 2016 versus only six months during 2015 provided an additional $17.0 million in rental payments.
- Cash taxes paid during 2016 were approximately $710 thousand less than during 2015.
- Increase in interest paid of approximately $5.0 million primarily related to the financing of the June 2015 GIGS transaction through the issuance of $115 million in Convertible Notes and outstanding balances under the CorEnergy Credit Facility.
- Due to reduced drilling and disposal activities in our borrowers' areas of operations, revenue from our financing notes decreased from the prior period by approximately $1.5 million.
- Payments for management fees increased during 2016 by approximately $1.4 million due to the increased asset base as a result of the GIGS transaction.
- During 2016 there was approximately a $673 thousand increase in legal fees associated with monitoring the bankruptcy proceedings of our two tenants, UPL and EXXI. Additionally, the Company incurred incremental expenses related to the Black Bison foreclosure and sale activities and the valuation of the Four Wood REIT Loan collateral.
- During 2016 the Company foreclosed on BB Intermediate and subsequently sold the majority of their assets. In relation to the winding down and sale of assets of the business the Company incurred an operating loss of approximately $381 thousand.

For the year ended December 31, 2015, cash provided by operating activities totaled approximately $42.6 million representing an increase of approximately $25.6 million over the same period of the prior year. The significant increases and decreases in cash provided by operating activities that primarily drove this change included the following:

- The net operating results of MoGas, acquired in November 2014, contributed $11.7 million to the increase.
- When the Portland Terminal was acquired in January 2014, a certain amount of construction was required before the terminal became fully operational. Accordingly, the lessee was granted a partial rent holiday during the first six months of the lease. For all of 2015, the Portland Terminal lease payments had increased to the full amount of the base rent and had also increased as a result of $10.0 million in completed construction projects, contributing approximately $2.1 million to the increase in cash provided by operating activities as compared to the prior year.
- Cash provided by the addition of the GIGS lease payments for 2015 was $15.8 million.
- Additional payments to the Company resulting from a July 2014 increase to the Black Bison financing notes and December 2014 initial funding of the Four Wood financing notes contributed nearly $582 thousand to the increase over prior year.
- An increase in the amount of funds released from escrow provided cash of approximately $1.3 million.
- Decrease in cash taxes paid of approximately $2.5 million primarily due to the sale of VantaCore in 2014.
- The first half of 2014 included nearly $4.3 million in advance rental payments. In conjunction with the agreement to sell EIP to PNM on April 1, 2015, upon expiration of the lease, the lease payments that would have been due over the remainder of the term were accelerated and paid in full on January 1, 2014.
- Increase in cash interest paid of approximately $5.1 million due to increased facility sizes and borrowings.

59

Table of Contents Index to Financial Statements Glossary of Defined Terms

Cash Flows from Investing Activities

Significant factors impacting the $479 thousand of cash provided by investing activities during the year ended December 31, 2016 were as follows:

- Net proceeds from the sale of assets and liabilities held for sale of $645 thousand.
- Purchases of property and equipment of $192 thousand.
- Proceeds received on foreclosure of BB Intermediate of $223 thousand.
- Funding to close operations of Black Bison and Four Wood financing notes of $202 thousand.

Significant factors impacting the $244.6 million of cash used in investing activities during the year ended December 31, 2015 included the following:

- The Company deployed approximately $251.5 million to acquire the GIGS assets and to fulfill the remaining capital improvements commitment in connection with the Portland Terminal Facility.
- The sale of the EIP asset on April 1, 2015 provided additional cash of approximately $7.7 million.

Significant factors impacting the $177.1 million of cash used during fiscal 2014 included the following:

- $168.2 million of investment expenditures primarily related to the acquisitions of the Portland Terminal Facility and the MoGas Pipeline System.
- $20.6 million invested in the Black Bison and Four Wood energy infrastructure financing notes receivable.
- $10.8 million in proceeds from the sale of investment securities, primarily related to the sale of VantaCore in October 2014.

Cash Flows from Financing Activities

Significant factors impacting the $58.3 million of cash used in financing activities during the year ended December 31, 2016 included the following:

- Repurchases of common stock of approximately $2.0 million.
- Repurchased $1.0 million of face value of our convertible debt for approximately $900 thousand in cash.
- Common and preferred dividends paid of $34.9 million and $4.1 million, respectively.
- $44.0 million drawn on the Regions revolver for use in connection with the Pinedale refinancing.
- Principal payments of $53.7 million in connection with the Pinedale facility.
- Principal payments on the term note of $6.5 million.

Significant factors impacting the $209.1 million of cash provided by financing activities during the year ended December 31, 2015 included the following:

- The January 2015 preferred stock offering generated approximately $54.2 million, of which, $32.0 million was subsequently used to pay down the Regions Revolver.
- In connection with the acquisition of the GIGS assets, the Company raised a total of $226.7 million as follows:
  $73.2 million in net proceeds raised in a follow-on common stock offering;
  $111.3 million in net proceeds from the 7.00% Convertible Note offering; and
  $42.0 million drawn on the Regions Revolver.
- On July 8, 2015, the company drew $45 million on a term note, the proceeds of which were used to pay off the Regions Revolver plus interest and fees. The company subsequently made principal payments of $1.8 million on the term note during the year.
- Common and preferred dividends paid of approximately $28.5 million and $3.5 million, respectively.
- Distributions to non-controlling interests of $2.5 million
- Principal payments on the Pinedale Credit Facility totaling $4.5 million.

Significant factors impacting the $149.7 million of cash provided during fiscal 2014 included the following:

- Net proceeds of $141.7 million from two underwritten public offerings of common stock in January 2014 (in conjunction with our acquisition of the Portland Terminal Facility) and November 2014 (in conjunction with our acquisition of the MoGas Pipeline System).
- Net proceeds from revolving line of credit borrowings, net of payments on our revolving line of credit and related debt financing costs, of $28.8 million.
- Dividends and distributions of $17.9 million paid to holders of our common stock and the holder of the non-controlling interest in Pinedale LP.
- Principal payments of $2.9 million on the Pinedale Credit Facility that financed a portion of the Pinedale LGS acquisition.

Revolving and Term Credit Facilities

CorEnergy Credit Facility

On September 26, 2014, the Company entered into a $30.0 million revolving credit facility with Regions Bank, then on November 24, 2014, increased the credit facility to $90.0 million at the REIT level and $3 million at the subsidiary entity level in conjunction with the MoGas Transaction. There were no borrowings on the CorEnergy Revolver between September 26, 2014 and November 24, 2014. The facility had a maturity of November 24, 2018. For the first six months subsequent to the increase, the facility accrued interest on the outstanding balance at a rate of LIBOR plus 3.50 percent. On and after May 24, 2015, the interest rate was determined by a pricing grid where the applicable interest rate was anticipated to be LIBOR plus 2.75 percent to 3.50 percent, depending on the Company's leverage ratio at such time. On June 29, 2015, the Company borrowed against the revolver in the amount of $42 million in conjunction with the GIGS transaction.

On July 8, 2015, the Company amended and upsized its existing $93 million credit facility with Regions Bank (as lender and administrative agent for the other participating lenders) to provide borrowing commitments of $153 million, consisting of (i) an increase in the CorEnergy Revolver to $105 million, (ii) the existing $3 million MoGas Revolver at the subsidiary entity level (as detailed below) and (iii) a $45 million term loan at the CorEnergy parent entity level (the "CorEnergy Term Loan" and, collectively with the upsized CorEnergy Revolver and the MoGas Revolver, the "CorEnergy Credit Facility"). Upon closing the CorEnergy Credit Facility, the Company drew $45 million on the CorEnergy Term Loan at the parent level to pay down the balance on the CorEnergy Revolver that had been used in funding the recent GIGS acquisition.

Effective as of March 4, 2016, the Company and the required lenders under the CorEnergy Revolver executed a Limited Consent and Amendment (the “Consent”). Pursuant to such Consent, among other things, the lenders consented to the Company’s use of up to $49.0 million, up to $44.0 million of which could come from the proceeds of draws under the CorEnergy Revolver, in connection with the refinancing of Pinedale LP’s outstanding indebtedness due under the $70 million secured term credit facility on March 30, 2016, as discussed below. The Company paid fees to the lenders in connection with the Consent in an aggregate amount of $193 thousand. The Company subsequently drew $44 million on the CorEnergy Revolver in conjunction with the refinancing of the Pinedale Credit Facility and as of December 31, 2016, has approximately $52.1 million of available borrowing capacity on the CorEnergy Revolver.

For a summary of the additional material terms of the CorEnergy Credit Facility and the refinancing of the Pinedale Credit facility (as discussed below), please see Note 12 in the Notes to the Consolidated Financial Statements included in this report.

Pinedale Credit Facility

Pinedale LP had a $70.0 million secured term credit facility with a lender that provided for monthly payments of principal and interest. Under the original agreement, outstanding balances under the credit facility generally accrued interest at a variable annual rate equal to LIBOR plus 3.25 percent and were secured by the Pinedale LGS. Pinedale LP was obligated each month to pay all accrued interest as well as principal payments of $294 thousand. The facility was set to expire at the end of December 2015, however, the Company extended the facility through March 30, 2016. Under the December 31, 2015 extension amendment, outstanding balances accrued interest at a variable annual rate equal to LIBOR plus 4.25 percent. Pinedale LP made principal payments totaling approximately $3.2 million during the extension period through March 30, 2016.

On March 30, 2016, the Company and Prudential ("the Refinancing Lenders"), refinanced the remaining $58.5 million principal balance of the $70 million credit facility (on a pro rata basis equal to their respective equity interests in Pinedale LP, with the Company’s 81.05 percent share being approximately $47.4 million) and executed a series of agreements assigning the credit facility to CorEnergy Infrastructure Trust, Inc. as Agent for the Refinancing Lenders. The facility was further modified to extend the maturity date to March 30, 2021; to increase the LIBOR Rate to the greater of (i) 1.00 percent and (ii) the one-month LIBOR

rate; and to increase the LIBOR Rate Spread to seven percent (7.00 percent) per annum. The Company's portion of the debt and interest is eliminated in consolidation and Prudential's portion of the debt is shown as a related-party liability.
In December of 2012, we executed two interest rate swap derivatives covering $52.5 million of notional value of the Pinedale Credit Facility to add stability to our interest expense and to manage our exposure to interest rate movements on LIBOR-based borrowings. Through March 30, 2016, the interest rate swap derivatives remained in place at a fixed rate of 0.865 percent less a floating, 1-month LIBOR rate. As part of the March 30, 2016, refinancing, the Company terminated one of the derivative contracts, representing half of the amount hedged. The remaining derivative with a notional amount of $26.3 million was de-designated from hedge accounting.
Refer to Note 12 in the Notes to the Consolidated Financial Statements included in this report for additional information.

Convertible Notes

On June 29, 2015, CorEnergy Infrastructure Trust, Inc. completed a public offering of $115.0 million aggregate principal amount of 7.00% Convertible Senior Notes Due 2020. The Convertible Notes mature on June 15, 2020 and bear interest at a rate of 7.0 percent per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015.
The Company may not redeem the Convertible Notes prior to the maturity date. Holders may convert their Convertible Notes into shares of the Company’s common stock at their option until the close of business on the second scheduled trading day immediately preceding the maturity date. The initial conversion rate for the Convertible Notes is 30.3030 shares of Common Stock per $1,000 principal amount of the Convertible Notes, equivalent to an initial conversion price of $33 per share of Common Stock. Such conversion rate will be subject to adjustment in certain events as specified in the Indenture.
As authorized by the board of directors, during May 2016, the Company repurchased $1.0 million of face value of the Convertible Notes. Refer to Note 13 in the Notes to the Consolidated Financial Statements included in this report for additional information concerning the Convertible Notes.

MoGas Credit Facility

In conjunction with the MoGas Transaction, MoGas Pipeline LLC and United Property systems, LLC, as co-borrowers, entered into a revolving credit agreement dated November 24, 2014 (the “MoGas Revolver”), with certain lenders, including Regions Bank as agent for such lenders. Pursuant to the MoGas Revolver, the co-borrowers may borrow, prepay and reborrow loans up to $3.0 million outstanding at any time. On July 8, 2015, the revolving credit agreement was amended and restated in accordance with the expansion of the REIT credit facilities mentioned previously. Interest accrues under the MoGas Revolver at the same rate and pursuant to the same terms as it accrues under the CorEnergy Revolver and term loan. As of December 31, 2016, there have been no borrowings against the MoGas Revolver. As of December 31, 2016, the co-borrowers are in compliance with all covenants of the MoGas Revolver.

Mowood/Omega Revolver

On October 15, 2014, Mowood and Omega renewed the 2013 Note Payable Agreement by entering into a Revolving Note Payable Agreement ("2014 Note Payable Agreement") with a financial institution, extending the maturity date to January 31, 2015. Then on January 30, 2015, Mowood and Omega modified the 2014 Note Payable Agreement to extend the maturity date to July 31, 2015.
On July 31, 2015, the 2014 Note Payable Agreement was allowed to expire and a new $1.5 million revolving line of credit ("Mowood/Omega Revolver") was established with Regions Bank with a maturity date of July 31, 2016. On July 28, 2016, the previous maturity date of July 31, 2016 was amended and extended to July 31, 2017. The Mowood/Omega Revolver is used by Omega for working capital and general business purposes, is guaranteed and secured by the assets of Omega. Interest accrues at LIBOR plus 4 percent and is payable monthly in arrears with no unused fee. There was no outstanding balance at December 31, 2016.

Debt Covenants

Under the terms of the CorEnergy Credit Facility, from and after July 8, 2015, the Company is subject to certain financial covenants as follows: (i) a minimum debt service coverage ratio of 2.0 to 1.0; (ii) a maximum total leverage ratio of 5.0 to 1.0; (iii) a maximum senior secured recourse leverage ratio (which generally excludes debt from Unrestricted Subs) of 3.0 to 1.0.; and (iv) a maximum total funded debt to capitalization ratio of 50 percent. Effective September 30, 2015, the CorEnergy Revolver was amended to clarify that the covenant related to the Company's ability to make distributions is tied to AFFO and applicable REIT distribution requirements, and provides that, in the absence of any acceleration of maturity following an Event of Default, the Company may make distributions equal to the greater of the amount required to maintain the Company's REIT status and 100 percent of AFFO for the trailing 12-month period.

The Pinedale Credit Facility is subject to (i) a minimum interest rate coverage ratio of 5.5 to 1.0; (ii) a maximum leverage ratio of 3.25 to 1.0; and (iii) a minimum net worth of $115.0 million, each measured at the Pinedale LP level and not at the Company level. As a result of the March 30, 2016 refinancing the minimum interest coverage ratio was amended to a ratio of 3.0 to 1.0. We were in compliance with all covenants at December 31, 2016.

Shelf Registration

On February 18, 2016, we had a new shelf registration statement declared effective by the SEC, pursuant to which we may publicly offer additional debt or equity securities with an aggregate offering price of up to $600 million. As of December 31, 2016, the Company had issued 34,581 shares of common stock under its dividend reinvestment plan, reducing availability by approximately $816 thousand to approximately $599.2 million.

Liquidity and Capitalization

Our principal investing activities are acquiring and financing midstream and downstream real estate assets within the U.S. energy infrastructure sector and concurrently entering into long-term triple-net participating leases with energy companies. These investing activities have generally been financed from the proceeds of our public equity and debt offerings as well as the term and credit facilities mentioned above. Continued growth of our asset portfolio will depend in part on our continued ability to access funds through additional borrowings and securities offerings. The following is our liquidity and capitalization on the below-noted dates:

Liquidity and Capitalization

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$7,895,084	$14,618,740
Revolver availability	$52,144,837	$95,805,217
Revolving credit facility	44,000,000	—
Long-term debt (including current maturities)	156,632,880	216,864,752
Stockholders' equity:		
Series A Cumulative Redeemable Preferred Stock 7.375%, $0.001 par value	56,250,000	56,250,000
Capital stock, non-convertible, $0.001 par value	11,886	11,940
Additional paid-in capital	350,217,746	361,581,507
Accumulated other comprehensive (loss) income	(11,196)	190,797
CorEnergy equity	406,468,436	418,034,244
Total CorEnergy capitalization	$607,101,316	$634,898,996

We also have two lines of credit for working capital purposes for two of our subsidiaries with maximum availability of $3.0 million and $1.5 million.

Subsequent Events

For additional information regarding transactions that occurred subsequent to December 31, 2016, see Note 19, Subsequent Events, in the Notes to the Financial Statements included in this annual report on Form 10-K.

CRITICAL ACCOUNTING ESTIMATES

The financial statements included in this report are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management’s most difficult, complex, or subjective judgments. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of revenues and expenses, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

See Note 2 to the Consolidated Financial Statements, included in this report for further information related to our significant accounting policies.

Revenue Recognition

- Lease revenue – Base rent related to the Company’s leased property is recognized on a straight-line basis over the term of the lease when collectability is reasonably assured. Participating rent is recognized when it is earned, based on the achievement of specified performance criteria. Rental payments received in advance are classified as unearned revenue and included as a liability within the Consolidated Balance Sheets. Unearned revenue is amortized ratably over the lease period as revenue recognition criteria are met. Rental payments received in arrears are accrued and classified as Lease Receivable and included in assets within the Consolidated Balance Sheets.
- Transportation and distribution revenue – This represents revenue related to natural gas transportation, distribution, and supply. Transportation revenues are recognized by MoGas on firm contracted capacity over the contract period regardless of whether the contracted capacity is used. For interruptible or volumetric based transportation, revenue is recognized when physical deliveries of natural gas are made at the delivery point agreed upon by both parties. Distribution revenue is recognized by Omega based on agreed upon contractual terms over each annual period during the terms of the contract. Beginning February 1, 2016, due to changes that commenced under a new contract with the Department of Defense ("DOD"), gas sales and cost of (gas) sales are presented on a net basis in the Transportation and distribution revenue line.

Omega is also paid fees for the operation and maintenance of its natural gas distribution system, including any necessary expansion of the distribution system. Omega is responsible for the coordination, supervision, and quality of the expansions while actual construction is generally performed by third party contractors. Revenues from expansion efforts are recognized using either a completed contract, percentage of completion, or cost-plus method based on the level and volume of estimates utilized, as well as the certainty or uncertainty of our ability to collect those revenues. Under the new DOD contract, the annual contracted amount for pipeline maintenance is invoiced monthly by Omega on a straight-line basis. Amounts invoiced in excess of earned revenue are classified as unearned revenue and included as a liability within the Consolidated Balance Sheets.

- Financing revenue – For increasing rate loans, base interest income is recorded ratably over the life of the loan, using the effective interest rate. The net amount of deferred loan origination income and costs are amortized on a straight-line basis over the life of the loan and reported as an adjustment to yield in financing revenue. Participating financing revenues are recorded when specific performance criteria have been met.

Investment Securities

The Company’s investments in securities are classified as other equity securities and represent interests in private companies which the Company has elected to report at fair value under the fair value option. These investments generally are subject to restrictions on resale, have no established trading market and are valued on a quarterly basis. Because of the inherent uncertainty of valuation, the fair values of such investments, which are determined in accordance with procedures approved by the Company’s Board of Directors, may differ materially from the values that would have been used had a ready market existed for the investments.

The Company determines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has determined the principal market, or the market in which the Company exits its private portfolio investments with the greatest volume and level of activity, to be the private secondary market. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value.

For private company investments, value is often realized through a liquidity event. Therefore, the value of the Company as a whole (enterprise value) at the reporting date often provides the best evidence of the value of the investment and is the initial step for valuing the Company’s privately issued securities. For any one company, enterprise value may best be expressed as a range of fair values, from which a single estimate of fair value will be derived. In determining the enterprise value of a portfolio company, an analysis is prepared consisting of traditional valuation methodologies including market and income approaches. The Company considers some or all of the traditional valuation methods based on the individual circumstances of the portfolio company in order to derive its estimate of enterprise value.

The fair value of investments in private portfolio companies is determined based on various factors, including enterprise value, observable market transactions, such as recent offers to purchase a company, recent transactions involving the purchase or sale of the equity securities of the company, or other liquidation events. The determined equity values may be discounted when the Company has a minority position, or is subject to restrictions on resale, has specific concerns about the receptivity of the capital markets to a specific company at a certain time, or other comparable factors exist.

The Company undertakes a multi-step valuation process each quarter in connection with determining the fair value of private investments. It has retained an independent valuation firm to provide third party valuation consulting services based on procedures that the Company has identified and may ask them to perform from time to time on all or a selection of private investments as determined by the Company. The multi-step valuation process is specific to the level of assurance that the Company requests from the independent valuation firm. For positive assurance, the process is as follows:

- The independent valuation firm prepares the valuations and the supporting analysis.
- The valuation report is reviewed and approved by senior management.
- The Audit Committee of the Board of Directors reviews the supporting analysis and accepts the valuations.

Asset Retirement Obligations

The Company follows ASC 410-20, Asset Retirement Obligations, which requires that an asset retirement obligation (“ARO”) associated with the retirement of a long-lived asset be recognized as a liability in the period in which it is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The Company recognized an existing ARO in conjunction with the acquisition of the GIGS in June 2015, which was initially measured at fair value at the acquisition date.

We measure changes in the ARO liability due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The increase in the carrying amount of the liability is recognized as an expense classified as an operating item in the statement of income, hereinafter referred to as ARO accretion expense. The Company periodically reassesses the timing and amount of cash flows anticipated associated with the ARO and adjusts the fair value of the liability accordingly under the guidance in ASC 410-20.

The fair value of the obligation at the acquisition date was capitalized as part of the carrying amount of the related long-lived assets and is being depreciated over the asset's remaining useful life. The useful lives of most pipeline gathering systems are primarily derived from available supply resources and ultimate consumption of those resources by end users. Adjustments to the ARO resulting from reassessments of the timing and amount of cash flows will result in changes to the retirement costs capitalized as part of the carrying amount of the asset.

Goodwill

Our goodwill represents the excess of the amount we paid for MoGas over the fair value of the net identifiable assets acquired in November 2014. To comply with ASC 350, Intangibles - Goodwill and Other ("ASC 350"), we perform an impairment test for goodwill annually, or more frequently in the event we determine that a triggering event has occurred. December 31st was selected as the annual testing date for the goodwill associated with the MoGas reporting unit.

In accordance with ASC 350, a company may elect to perform a qualitative assessment to determine whether the two-step quantitative impairment test is required. If the company elects to perform a qualitative assessment, the two-step quantitative impairment test is required only if the conclusion is that it is more likely than not that the reporting unit's fair value is less than its carrying amount. For the December 31, 2016 impairment test, we determined to forego the qualitative assessment and proceed with performance of the two-step quantitative impairment test.

Under the two-step approach, Step 1 compares the fair value of the reporting unit to its carrying value. As of the December 31, 2016 testing date, the fair value of the MoGas reporting unit was determined to be greater than its carrying value; therefore, a Step 2 test was not required to be completed and no impairment was recorded.

The reporting unit fair value is based upon consideration of various valuation methodologies, one of which is projecting future cash flows discounted at rates commensurate with the risks involved ("Discounted Cash Flow" or "DCF"). Assumptions used in a DCF require the exercise of significant judgment, including judgment about appropriate discount rates and terminal values, growth rates, and the amount and timing of expected future cash flows. Forecasted cash flows require management to make judgments and assumptions, including estimates of future volumes and rates. Declines in volumes or rates from those forecasted, or other changes in assumptions, may result in a change in management's estimate and result in an impairment.

We believe that our assumptions are consistent with the plans and estimates used to manage the underlying business. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in a DCF are based on estimates of the weighted-average cost of capital ("WACC") of a market participant. Such estimates are derived from our analysis of peer companies and consider the industry weighted average return on debt and equity from a market participant perspective. We also utilized fair value estimates derived from the market approach utilizing the public company market multiple method, which required us to make assumptions about the applicability of those

multiples to the MoGas reporting unit.
The fair value of the reporting unit exceeded its carrying value by approximately 15 percent as of December 31, 2016. Judgments and assumptions are inherent in management's estimates used to determine the fair value of the reporting unit and are consistent

with what management believes would be utilized by a market participant. Changes in these judgments and assumptions could result in the requirement to complete Step 2 and, pending those results, potential recognition of an impairment charge.

Long-Lived Assets

Our long-lived assets consist primarily of a subsea midstream pipeline system, liquids gathering system, petroleum products terminal, and natural gas pipelines that have been obtained through a business combination and asset acquisitions. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Expenditures for repairs and maintenance are charged to operations as incurred, and improvements, which extend the useful lives of our assets, are capitalized and depreciated over the remaining estimated useful life of the asset.

We continually monitor our business, the business environment, and performance of our operations to determine if an event has occurred that indicates that the carrying value of a long-lived asset may be impaired. When a triggering event occurs, which is a determination that involves judgment, we utilize cash flow projections to assess the ability to recover the carrying value of our assets based on our long-lived assets' ability to generate future cash flows on an undiscounted basis. This differs from the evaluation of goodwill, for which the recoverability assessment utilizes fair value estimates that include discounted cash flows in the estimation process, and accordingly any goodwill impairment recognized may not be indicative of a similar impairment of the related underlying long-lived assets.

The projected cash flows of long-lived assets are generally based on contractual cash flows relating to existing leases that extend many years into the future. If those cash flow projections indicate that the long-lived asset's carrying value is not recoverable, we record an impairment charge for the excess of carrying value of the asset over its fair value. The estimate of fair value considers a number of factors, including the potential value that would be received if the asset were sold, discount rates, and projected cash flows. Due to the imprecise nature of these projections and assumptions, actual results can differ from our estimates. There were no impairments of long-lived assets recorded during the years ended December 31, 2016, 2015 or 2014.

Federal and State Income Taxation

We qualify as a REIT under Sections 856 to 860 of the Internal Revenue Code of 1986, and intend to continue to remain so qualified. For further information, see "Federal and State Income Taxation" above in this Item 7 and "Federal and State Income Taxation" under Item 5 "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business activities contain elements of market risk. We consider fluctuations in the value of our securities portfolio to be our principal market risk. With respect to our equity securities as of December 31, 2016, there were no material changes to our market risk exposure as compared to the end of our preceding fiscal year ended December 31, 2015.

As of December 31, 2016, the fair value of our securities portfolio (excluding short-term investments) totaled approximately $9.3 million. We estimate that the impact of a 10 percent increase or decrease in the fair value of these securities, net of related deferred taxes, would increase or decrease net assets applicable to common shareholders by approximately $570 thousand.

Our securities portfolio is reported at fair value. The fair value of securities is determined using readily available market quotations from the principal market, if available. Because there are no readily available market quotations for many of the securities in our portfolio, we value our securities at fair value as determined in good faith under a valuation policy and a consistently applied valuation process, which has been approved by our Board of Directors. Due to the inherent uncertainty of determining the fair value of securities that do not have readily available market quotations, the fair value of our securities may differ significantly from the fair values that would have been used had a ready market quotation existed for such securities, and these differences could be material.

Long-term debt used to finance our acquisitions may be based on floating or fixed rates. As of December 31, 2016, we had long-term debt (net of current maturities) with a carrying value of $149.5 million and $44 million borrowed under a line of credit. The Company has historically used interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including forward interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates derived from observable market interest rate forward curves. Changes in interest rates can cause interest charges to fluctuate on that portion of our variable rate debt which is not hedged.

On March 30, 2016, the Company and Prudential ("the Lenders") together paid their pro rata shares of the $58.5 million principal balance of the $70 million Pinedale Credit Facility and the Company executed a series of agreements assigning the credit facility to CorEnergy Infrastructure Trust, Inc. as Agent for the Lenders. The facility was further modified to increase the LIBOR Rate to the greater of (i) 1.0% and (ii) the one-month LIBOR rate; and to increase the LIBOR Rate Spread to seven percent (7.0 percent) per annum. The Company also terminated one of its original derivative contracts, leaving an interest rate swap derivative contract with a notional amount of $26.3 million as of March 30, 2016, which expires on December 5, 2017.

Variable rate debt as of December 31, 2016, was $8.9 million under the Pinedale facility, $44.0 million under the Regions Revolver, and $36.7 million under the Regions Term Note. These variable rate debt instruments total $63.4 million of variable rate debt after giving effect to our $26.3 million interest rate swap at December 31, 2016. A 100 basis point increase or decrease in LIBOR rates would result in a $698 thousand increase or decrease of interest expense for the year ended December 31, 2016. As of December 31, 2016, the fair value of our hedge derivative liability totaled approximately $20 thousand. We estimate that the impact of a 100 basis point increase in the one-month LIBOR rate would increase the value of the interest rate swap by $240 thousand, while a decrease of 100 basis points would decrease the value of the interest rate swap by $221 thousand as of December 31, 2016.

We consider the management of risk essential to conducting our businesses. Accordingly, our risk management systems and procedures are designed to identify and analyze our risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and financial statement schedules are set forth beginning on page F-1 in this Annual Report and are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our management is responsible for the preparation, consistency, integrity, and fair presentation of the financial statements. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis and, in management’s opinion, are fairly presented. The financial statements include amounts that are based on management’s informed judgments and best estimates.

Conclusion Regarding Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Accounting Officer (our principal executive and principal financial officers, respectively), we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting, as defined in rule 13a-15(f) and 15d-15(f) of the Exchange Act, that occurred during the quarterly period ending December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Accounting Officer (our principal executive and principal financial officers, respectively), is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our management has established and maintains comprehensive systems of internal control designed to provide reasonable assurance as to the consistency, integrity, and reliability of the preparation and presentation of financial statements and the safeguarding of assets. The concept of reasonable assurance is based upon the recognition that the cost of the controls should not exceed the benefit derived. Our management monitors the systems of internal control and maintains an internal auditing program that assesses the effectiveness of internal control.

Our management assessed our systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles as of December 31, 2016. This assessment was based on criteria for effective internal control established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO Report). Based on this assessment, our management has determined that the Company's internal control over financial reporting was effective as of December 31, 2016.

The Board of Directors exercises its oversight role with respect to the systems of internal control primarily through its Audit Committee, which is comprised solely of independent outside directors. The Committee oversees systems of internal control and financial reporting to assess whether their quality, integrity, and objectivity are sufficient to protect shareholders' investments.

Ernst & Young has issued an audit report on the Company's internal control over financial reporting. This report begins on the next page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of CorEnergy Infrastructure Trust, Inc. and subsidiaries

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

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

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

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

In our opinion, CorEnergy Infrastructure Trust, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CorEnergy Infrastructure Trust, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016 of CorEnergy Infrastructure Trust, Inc. and subsidiaries and our report dated March 1, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Kansas City, MO
March 1, 2017

ITEM 9B. OTHER INFORMATION

Effective March 1, 2017, MoGas entered in to a long-term firm transportation services agreement with Laclede, its largest customer. The agreement, which amends a prior agreement, extends the termination date for Laclede's existing firm transportation agreement from October 31, 2017 to October 31, 2030. During the entire extended term, Laclede will continue to reserve 62,800 dekatherms per day of firm transportation capacity on MoGas. This service will continue at the full tariff rate of $12.385 per dekatherm per month until October 31, 2018, at which time the rate will be reduced to $6.386 per dekatherm per month for the remainder of the agreement.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Codes of Ethics

We have adopted a code of ethics, which applies to our principal executive officer and principal financial officer. We have also adopted a code of ethics that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code of ethics may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code of ethics. This information may be obtained, without charge, upon request by calling us at (816) 875-3705 or toll-free at (877) 699-2677 and on our Web site at http://corenergy.corridortrust.com.

You may also read and copy the codes of ethics at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at (800) SEC-0330. In addition, the codes of ethics are available on the EDGAR Database on the Securities and Exchange Commission's Internet site at http://www.sec.gov. You may obtain copies of the codes of ethics, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the Securities and Exchange Commission's Public Reference Section, Washington, D.C. 20549.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. The Sarbanes-Oxley Act requires us to review our policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

As of December 31, 2016, we are an accelerated filer. As an accelerated filer for the fiscal year ended December 31, 2016, we are required to prepare and include in our annual report to stockholders for such period a report regarding management's assessment of our internal control over financial reporting under the Exchange Act and have included this report in Item 9A of this Annual Report on Form 10-K.

Additional information is incorporated herein by reference to the sections captioned "Nominees for Directors," "Incumbent Directors Continuing in Office," "Information About Executive Officers," "Board of Directors Meetings and Committees," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Stockholder Proposals and Nominations for the 2017 Annual Meeting" in our proxy statement for our 2017 Annual Stockholder Meeting, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the sections captioned "Director Compensation Table" and "Compensation Committee Interlocks and Insider Participation" in our proxy statement for our 2017 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

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

Incorporated by reference to the sections captioned "Security Ownership of Management and Certain Beneficial Owners" in our proxy statement for our 2017 Annual Stockholder Meeting to be filed with the Securities and

Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

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

Incorporated by reference to the sections captioned "Nominees for Director," "Incumbent Directors Continuing in Office," "Board of Directors Meetings and Committees" and "Certain Relationships and Related Party Transactions" in our proxy statement for our 2017 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the section captioned "Independent Registered Public Accounting Firm Fees and Services" in our proxy statement for our 2017 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. The Financial Statements listed in the Index to Financial Statements on Page F-1.
2. The Exhibits listed in the Exhibit Index below.

Exhibit No.	Description of Document
3.1	Articles of Amendment and Restatement of CorEnergy Infrastructure Trust, Inc., as amended (33)
3.2	Second Amended and Restated Bylaws (3)
3.3	Articles Supplementary, dated January 22, 2015, Establishing and Fixing the Rights and Preferences of the Registrant’s 7.375% Series A Cumulative Redeemable Preferred Stock (23)
4.1	Form of Stock Certificate for Common Stock of CorEnergy Infrastructure Trust, Inc. (2)
4.2	Form of Certificate of CorEnergy Infrastructure Trust, Inc.'s 7.375% Series A Cumulative Redeemable Preferred Stock (23)
4.3	Registration Rights Agreements with Merrill Lynch & Co; Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Stifel, Nicolaus & Company, Incorporated dated January 9, 2006 (1)
4.4	Registration Rights Agreement dated April 2007 (4)
4.5.1	Base Indenture, dated as of June 29, 2015, between CorEnergy Infrastructure Trust, Inc. and Computershare Trust Company, N.A. (26)
4.5.2	First Supplemental Indenture, dated as of June 29, 2015, between CorEnergy Infrastructure Trust, Inc. and Computershare Trust Company, N.A. (26)
4.6	Global note evidencing the 7.00% Convertible Notes due 2020 (26)
10.1	Dividend Reinvestment Plan (5)
10.2.1	Management Agreement dated April 30, 2014, effective January 1, 2014, between Corridor InfraTrust Management, LLC and CorEnergy Infrastructure Trust, Inc. (13)
10.2.2	Management Agreement dated May 8, 2015, effective May 1, 2015 between Corridor InfraTrust Management, LLC and CorEnergy Infrastructure Trust, Inc. (24)
10.2.3	Letter Agreement, dated November 9, 2015 and effective as of September 30, 2015, concerning Management Fee for September 30, 2015 under Management Agreement, dated May 8, 2015 and effective as of May 1, 2015, between Corridor InfraTrust Management, LLC and CorEnergy Infrastructure Trust, Inc. (29)
10.2.4	Letter Agreement, dated February 24, 2016 and effective as of December 31, 2015, concerning Incentive Fee for December 31, 2015 under Management Agreement, dated May 8, 2015 and effective as of May 1, 2015, between Corridor InfraTrust Management, LLC and CorEnergy Infrastructure Trust, Inc. (33)
10.2.5	Letter Agreement, dated May 9, 2016, concerning Management Fee for March 31, 2016 under Management Agreement, dated May 8, 2015 and effective as of May 1, 2015, between Corridor InfraTrust Management, LLC and CorEnergy Infrastructure Trust, Inc. (31)
10.2.6	Letter Agreement, dated June 30, 2016, concerning Incentive Fee for June 30, 2016 under Management Agreement, dated May 8, 2015 and effective as of May 1, 2015, between Corridor InfraTrust Management,

	LLC and CorEnergy Infrastructure Trust, Inc. (32)
10.2.7	Letter Agreement, dated December 31, 2016, concerning Incentive Fee for December 31, 2016 under Management Agreement, dated May 8, 2015 and effective as of May 1, 2015, between Corridor InfraTrust Management, LLC and CorEnergy Infrastructure Trust, Inc. - filed herewith
10.3.1	Advisory Agreement dated December 1, 2011 (7)
10.3.2	Amended Advisory Agreement dated December 21, 2012 (11)
10.4	Custody Agreement with U.S. Bank National Association dated September 13, 2005 (1)
10.5	First Amendment to the Custody Agreement with U.S. Bank National Association dated May 24, 2010 (6)

10.6	Stock Transfer Agency Agreement with Computershare Investor Services, LLC dated September 13, 2005 (1)
10.7.1	Second Amended Administration Agreement dated December 1, 2011 (7)
10.7.2	Amendment and Assignment to the Second Amended Administration Agreement dated August 7, 2012 (11)
10.8	Warrant Agreement with Computershare Investor Services, LLC as Warrant Agent dated December 8, 2005 (1)
10.9.1	Purchase and Sale Agreement, dated December 7, 2012, by and between Ultra Wyoming, Inc. and Pinedale Corridor, LP (8)
10.9.2	Amendment to Purchase and Sale Agreement, dated December 12, 2012, by and between Ultra Wyoming, Inc. and Pinedale Corridor, LP (9)
10.10.1	Subscription Agreement, dated December 7, 2012, by and among Pinedale GP, Inc., Ross Avenue Investments, LLC and Pinedale Corridor, LP (8)
10.10.2	First Amendment to Subscription Agreement by and among Pinedale Corridor, LP, Pinedale GP, Inc. and Ross Avenue Investments, LLC (9)
10.11.1	Term Credit Agreement, dated December 7, 2012, by and among Pinedale Corridor, LP, KeyBank National Association, as lender and KeyBank National Association, as administrative agent (8)
10.11.2	Amended and Restated Term Credit Agreement, dated December 14, 2012, by and among Pinedale Corridor, LP, KeyBank National Association, as lender and KeyBank National Association, as administrative agent (9)
10.11.3	First Amendment to Term Credit Agreement, dated December 31, 2015, by and among Pinedale Corridor, LP and KeyBank National Association, as lender and KeyBank National Association, as administrative agent (30)
10.12.1	Lease Agreement dated December 20, 2012 by and between Pinedale Corridor, LP and Ultra Wyoming LGS, LLC (10)
10.12.2	First Amendment to Lease, dated June 19, 2013, by and between Pinedale Corridor, LP and Ultra Wyoming LGS, LLC (14)
10.12.3	Amended and Restated Limited Guaranty of Collection, dated November 28, 2016, between Ultra Resources, Inc., and Pinedale Corridor, L.P. - filed herewith
10.13	First Amended and Restated Limited Partnership Agreement of Pinedale Corridor, LP, dated December 20, 2012, by and between Pinedale GP, Inc. and Ross Avenue Investments, LLC (10)
10.14.1	Revolving Credit Agreement dated as of May 8, 2013 by and among CorEnergy Infrastructure Trust, Inc., KeyBank National Association and the other financial institutions party to the Credit Agreement, as lenders and KeyBank National Association, as administrative agent (12)
10.14.2	First Amendment to Revolving Credit Agreement, dated August 23, 2013, by and among CorEnergy Infrastructure Trust, Inc., KeyBank National Association and the other financial institutions party to the Credit Agreement, as lenders and KeyBank National Association, as administrative agent (14)
10.15	Membership Interest Purchase Agreement, dated January 14, 2014, by and among Lightfoot Capital Partners, LP, CorEnergy Infrastructure Trust, Inc. and Arc Terminals Holdings LLC (15)
10.16	Lease, dated January 21, 2014, by and between LCP Oregon Holdings, LLC and Arc Terminals Holdings LLC (16)
10.17	Asset Purchase Agreement, dated January 21, 2014, by and between LCP Oregon Holdings, LLC and Arc Terminals Holdings LLC (16)
10.19.1	Director Compensation Plan of CorEnergy Infrastructure Trust, Inc. (17)
10.19.2	Amendment No. 1 to Director Compensation Plan of CorEnergy Infrastructure Trust, Inc. (18)
10.19.3	Amendment No. 2 to Director Compensation Plan of CorEnergy Infrastructure Trust, Inc. (33)
10.20.1	Revolving Credit Agreement dated as of September 26, 2014 by and among the Company and Regions Bank, et al (19)
10.20.2	First Amendment to Revolving Credit Agreement, dated November 24, 2014 by and among the Company and Regions Bank, et al (22)
10.20.3	Amended and Restated Revolving Credit Agreement, dated July 8, 2015, by and among the Company and Regions Bank, et al (28)

10.20.4	First Amendment, dated November 4, 2015, and effective as of September 30, 2015, to Amended and Restated Revolving Credit Agreement, dated July 8, 2015, by and among the Company and Regions Bank, et al (33)
10.20.5	Limited Consent and Amendment, dated March 4, 2016 by and among the Company and Regions Bank, et al (33)
10.21.1	Limited Liability Company Interests Purchase Agreement, dated November 17, 2014 between CorEnergy Infrastructure Trust, Inc. and Mogas Energy, LLC (20)
10.21.2	Amendment to Limited Liability Company Interests Purchase Agreement, dated November 18, 2014 between CorEnergy Infrastructure Trust, Inc. and Mogas Energy, LLC (21)
10.22	Firm Service Transportation Agreement, Contract No. FRM-LGC-1001, dated March 1, 2017, between MoGas Pipeline LLC and Laclede Gas Company - filed herewith
10.23.1	Purchase and Sale Agreement, dated June 22, 2015, by and between Grand Isle Corridor, LP and Energy XXI USA, Inc. (25)
10.23.2	Guaranty, dated June 22, 2015, by CorEnergy Infrastructure Trust, Inc. in favor Energy XXI USA, Inc. (25)
10.23.3	Guaranty, dated June 22, 2015, by Energy XXI Ltd in favor of Grand Isle Corridor, LP (25)
10.23.4	Assignment and Assumption Agreement, dated December 30, 2016, between Energy XXI USA, Inc., Energy XXI Gulf Coast, Inc., and Grand Isle Corridor, L.P. - filed herewith

10.23.5	Assignment and Assumption of Guaranty and Release, dated December 30, 2016, between Energy XXI Ltd, Energy XXI Gulf Coast, Inc., and Grand Isle Corridor, L.P. - filed herewith
10.24	Lease, dated June 30, 2015, by and between Grand Isle Corridor, LP and Energy XXI GIGS Services, LLC. Confidential information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been granted with respect to this omitted information. (27)
10.25	Letter Agreement Concerning Loans and Other Agreements with Black Bison Related Entities, dated August 15, 2015 (29)
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends- filed herewith
21.1	Subsidiaries of the Company - filed herewith
23.1	Consent of Ernst & Young LLP dated March 1, 2017 - filed herewith
31.1	Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - filed herewith
31.2	Certification by Chief Accounting Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - filed herewith
32.1	Certification by Chief Executive Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - furnished herewith
101	The following materials from CorEnergy Infrastructure Trust, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements - furnished herewith

(1)	Incorporated by reference to the Registrant's Registration Statement on Form N-2, filed August 28, 2006 (File No. 333-136923).
(2)	Incorporated by reference to the Registrant's current report on Form 8-K, filed January 14, 2014 (the first Form 8-K filing on such date).
(3)	Incorporated by reference to the Registrant's current report on Form 8-K, filed July 31, 2013.
(4)	Incorporated by reference to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2, filed July 3, 2007 (File No. 333-142859).
(5)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 31, 2007 and filed on October 12, 2007.
(6)	Incorporated by reference to the Registrant's Annual Report on Form 10-K, for the year ended November 30, 2010 and filed January 26, 2011.
(7)	Incorporated by reference to the Registrant's current report on Form 8-K, filed December 1, 2011.
(8)	Incorporated by reference to the Registrant's current report on Form 8-K, filed December 10, 2012 (the first Form 8-K filing on such date).
(9)	Incorporated by reference to the Registrant's current report on Form 8-K, filed December 17, 2012.
(10)	Incorporated by reference to the Registrant's current report on Form 8-K, filed December 21, 2012.
(11)	Incorporated by reference to the Registrant's Annual Report on Form 10-K, for the year ended November 30, 2012, filed February 13, 2013.
(12)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed May 10, 2013.
(13)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed May 12, 2014.
(14)	Incorporated by reference to the Registrant's current report on Form 8-K, filed August 27, 2013.
(15)	Incorporated by reference to the Registrant's current report on Form 8-K, filed January 14, 2014 (the second Form 8-K filing on such date).
(16)	Incorporated by reference to the Registrant's current report on Form 8-K, filed January 22, 2014.

(17) Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, filed August 11, 2014.
(18) Incorporated by reference to the Registrant’s Registration Statement on Form S-8, filed September 17, 2014 (File No. 333-198799).
(19) Incorporated by reference to the Registrant's current report on Form 8-K, filed September 30, 2014.
(20) Incorporated by reference to the Registrant’s current report on Form 8-K, filed November 17, 2014.
(21) Incorporated by reference to the Registrant’s current report on Form 8-K, filed November 20, 2014.
(22) Incorporated by reference to the Registrant’s current report on Form 8-K, filed November 25, 2014.
(23) Incorporated by reference to the Registrant’s Form 8-A, filed January 26, 2015.
(24) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed May 11, 2015.
(25) Incorporated by reference to the Registrant's current report on Form 8-K, filed June 22, 2015.
(26) Incorporated by reference to the Registrant's current report on Form 8-K, filed June 29, 2015.
(27) Incorporated by reference to the Registrant's current report on Form 8-K, filed June 30, 2015.
(28) Incorporated by reference to the Registrant's current report on Form 8-K, filed July 8, 2015.

(29) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed November 10, 2015.

(30) Incorporated by reference to the Registrant's current report on Form 8-K, filed December 31, 2015.

(31) Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed May 10, 2016.

(32) Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed August 9, 2016.

(33) Incorporated by reference to the Registrant's Annual Report on Form 10-K, for the year ended December 31, 2015, filed March 14, 2016.

All other exhibits for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and therefore have been omitted.

INDEX TO FINANCIAL STATEMENTS

Table of Contents Index to Financial Statements Glossary of Defined Terms

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of CorEnergy Infrastructure Trust, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of CorEnergy Infrastructure Trust, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CorEnergy Infrastructure Trust, Inc. and subsidiaries at 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 U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CorEnergy Infrastructure Trust, Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Kansas City, MO
March 1, 2017

Table of Contents Index to Financial Statements Glossary of Defined Terms

CorEnergy Infrastructure Trust, Inc.
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
Assets		
Leased property, net of accumulated depreciation of $52,219,717 and $33,869,263	$489,258,369	$509,226,215
Property and equipment, net of accumulated depreciation of $9,292,712 and $5,948,988	116,412,806	119,629,978
Financing notes and related accrued interest receivable, net of reserve of $4,100,000 and $13,784,137	1,500,000	7,675,626
Other equity securities, at fair value	9,287,209	8,393,683
Cash and cash equivalents	7,895,084	14,618,740
Accounts and other receivables	19,415,666	10,431,240
Deferred costs, net of accumulated amortization of $2,261,151 and $2,717,609	3,132,050	4,187,271
Prepaid expenses and other assets	354,230	491,024
Deferred tax asset	1,758,289	1,606,976
Goodwill	1,718,868	1,718,868
Total Assets	$650,732,571	$677,979,621
Liabilities and Equity		
Secured credit facilities, net (including $8,860,577 and $0 with related party)	89,387,985	105,440,842
Unsecured convertible senior notes, net of discount and debt issuance costs of $2,755,105 and $3,576,090	111,244,895	111,423,910
Asset retirement obligation	11,882,943	12,839,042
Accounts payable and other accrued liabilities	2,416,283	2,317,774
Management fees payable	1,735,024	1,763,747
Unearned revenue	155,961	—
Total Liabilities	$216,823,091	$233,785,315
Equity		
Series A Cumulative Redeemable Preferred Stock 7.375%, $56,250,000 liquidation preference ($2,500 per share, $0.001 par value), 10,000,000 authorized; 22,500 issued and outstanding at December 31, 2016, and December 31, 2015	$56,250,000	$56,250,000
Capital stock, non-convertible, $0.001 par value; 11,886,216 and 11,939,697 shares issued and outstanding at December 31, 2016, and December 31, 2015 (100,000,000 shares authorized)	11,886	11,940
Additional paid-in capital	350,217,746	361,581,507
Accumulated other comprehensive income (loss)	(11,196)	190,797
Total CorEnergy Equity	406,468,436	418,034,244
Non-controlling Interest	27,441,044	26,160,062
Total Equity	433,909,480	444,194,306
Total Liabilities and Equity	$650,732,571	$677,979,621

See accompanying Notes to Consolidated Financial Statements.

Table of Contents Index to Financial Statements Glossary of Defined Terms

CorEnergy Infrastructure Trust, Inc.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2016	2015	2014
Revenue			
Lease revenue	$67,994,130	$48,086,072	$28,223,765
Transportation and distribution revenue	21,094,112	14,345,269	1,298,093
Financing revenue	162,344	1,697,550	1,077,813
Sales revenue	—	7,160,044	9,708,902
Total Revenue	89,250,586	71,288,935	40,308,573
Expenses			
Transportation and distribution expenses	6,463,348	4,609,725	1,299,782
Cost of Sales	—	2,819,212	7,291,968
General and administrative	12,270,380	9,745,704	7,872,753
Depreciation, amortization and ARO accretion expense	22,522,871	18,766,551	13,195,255
Provision for loan loss and disposition	5,014,466	13,784,137	—
Total Expenses	46,271,065	49,725,329	29,659,758
Operating Income	$42,979,521	$21,563,606	$10,648,815
Other Income (Expense)			
Net distributions and dividend income	$1,140,824	$1,270,755	$1,836,783
Net realized and unrealized gain (loss) on other equity securities	824,482	(1,063,613)	(466,026)
Interest expense	(14,417,839)	(9,781,184)	(3,675,122)
Total Other Expense	(12,452,533)	(9,574,042)	(2,304,365)
Income before income taxes	30,526,988	11,989,564	8,344,450
Taxes			
Current tax expense (benefit)	(313,107)	922,010	3,843,937
Deferred tax benefit	(151,313)	(2,869,563)	(4,069,500)
Income tax benefit, net	(464,420)	(1,947,553)	(225,563)
Net Income	30,991,408	13,937,117	8,570,013
Less: Net Income attributable to non-controlling interest	1,328,208	1,617,206	1,556,157
Net Income attributable to CorEnergy Stockholders	$29,663,200	$12,319,911	$7,013,856
Preferred dividend requirements	4,148,437	3,848,828	—
Net Income attributable to Common Stockholders	$25,514,763	$8,471,083	$7,013,856
Net Income	$30,991,408	$13,937,117	$8,570,013
Other comprehensive income (loss):			
Changes in fair value of qualifying hedges attributable to CorEnergy stockholders	(201,993)	(262,505)	(324,101)
Changes in fair value of qualifying hedges attributable to non-controlling interest	(47,226)	(61,375)	(75,780)
Net Change in Other Comprehensive Loss	$(249,219)	$(323,880)	$(399,881)
Total Comprehensive Income	30,742,189	13,613,237	8,170,132
Less: Comprehensive income attributable to non-controlling interest	1,280,982	1,555,831	1,480,377
Comprehensive Income attributable to CorEnergy Stockholders	$29,461,207	$12,057,406	$6,689,755
Earnings Per Common Share:			
Basic	$2.14	$0.79	$1.06
Diluted	$2.14	$0.79	$1.06
Weighted Average Shares of Common Stock Outstanding:			
Basic	11,901,985	10,685,892	6,605,715

Diluted	11,901,985	10,685,892	6,605,715
Dividends declared per share	$3.000	$2.750	$2.570

See accompanying Notes to Consolidated Financial Statements.

Table of Contents Index to Financial Statements Glossary of Defined Terms

CorEnergy Infrastructure Trust, Inc.
CONSOLIDATED STATEMENTS OF EQUITY

	Capital Stock		Preferred Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Non-Controlling Interest	Total
	Shares	Amount	Amount	Warrants					
Balance at December 31, 2013	4,831,232	$4,831	$—	$1,370,700	$173,460,344	$777,403	$1,580,062	$28,348,030	$205,541,370
Net income	—	—	—	—	—	—	7,013,856	1,556,157	8,570,013
Net change in cash flow hedges	—	—	—	—	—	(324,101)	—	(75,780)	(399,881)
Total comprehensive income (loss)	—	—	—	—	—	(324,101)	7,013,856	1,480,377	8,170,132
Net offering proceeds from issuance of common stock	4,485,000	4,485	—	—	141,720,743	—	—	—	141,725,228
Common stock dividends	—	—	—	—	(6,734,166)	—	(8,593,918)	—	(15,328,084)
Common stock issued under director's compensation plan	805	1	—	—	29,999	—	—	—	30,000
Distributions to Non-controlling interest	—	—	—	—	—	—	—	(2,737,712)	(2,737,712)
Reinvestment of dividends paid to common stockholders	3,973	4	—	—	140,104	—	—	—	140,108
Warrant expiration	—	—	—	(1,370,700)	1,370,700	—	—	—	—
Balance at December 31, 2014	9,321,010	9,321	—	—	309,987,724	453,302	—	27,090,695	337,541,042
Net income	—	—	—	—	—	—	12,319,911	1,617,206	13,937,117
Net change in cash flow hedges	—	—	—	—	—	(262,505)	—	(61,375)	(323,880)
Total comprehensive income (loss)	—	—	—	—	—	(262,505)	12,319,911	1,555,831	13,613,237
Issuance of Series A cumulative	—	—	56,250,000	—	(2,039,524)	—	—	—	54,210,476

redeemable preferred stock, 7.375% - redemption value								
Net offering proceeds from issuance of common stock	2,587,500	2,587	——	73,254,777	—	—	—	73,257,364
Series A preferred stock dividends	—	—	——	—	—	(3,503,125)	—	(3,503,125)
Common stock dividends	—	—	——	(20,529,353)	—	(8,816,786)	—	(29,346,139)
Common stock issued under director's compensation plan	2,677	3	——	89,997	—	—	—	90,000
Distributions to non-controlling interest	—	—	——	—	—	—	(2,486,464)	(2,486,464)
Reinvestment of dividends paid to common stockholders	28,510	29	——	817,886	—	—	—	817,915
Balance at December 31, 2015	11,939,697	11,940						