

AGREE REALTY CORP  
Form 10-Q  
April 27, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**FORM 10-Q**

Mark One

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016, or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-12928

**AGREE REALTY CORPORATION**

(Exact name of registrant as specified in its charter)

Maryland	38-3148187
State or Other Jurisdiction of Incorporation or	(I.R.S. Employer Identification No.)
Organization	

70 E. Long Lake Road, Bloomfield Hills, Michigan 48304

(Address of Principal Executive Offices)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark 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.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>	Non-accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)							

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

Yes ☐ No ☒

As of April 27, 2016, the Registrant had 20,762,843 shares of common stock, \$0.0001 par value, outstanding.

AGREE REALTY CORPORATION

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**AGREE REALTY CORPORATION****CONSOLIDATED BALANCE SHEETS****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

	March 31, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Real Estate Investments		
Land	\$236,700,064	\$225,273,640
Buildings	553,441,081	526,911,997
Less accumulated depreciation	(59,763,907 )	(56,401,423 )
	730,377,238	695,784,214
Property under development	3,575,090	3,663,301
Net Real Estate Investments	733,952,328	699,447,515
Cash and Cash Equivalents	3,711,373	2,711,588
Accounts Receivable - Tenants, net of allowance of \$35,000 for possible losses at March 31, 2016 and December 31, 2015	7,807,164	7,418,327
Unamortized Deferred Expenses		
Credit facility finance costs, net of accumulated amortization of \$1,584,175 and \$1,531,671 at March 31, 2016 and December 31, 2015, respectively	490,284	505,687
Leasing costs, net of accumulated amortization of \$575,448 and \$553,502 at March 31, 2016 and December 31, 2015, respectively	682,046	664,565
Lease intangibles, net of accumulated amortization of \$12,263,284 and \$10,577,794 at March 31, 2016 and December 31, 2015, respectively	76,650,860	76,552,316
Other Assets	2,259,255	2,569,659
Total Assets	\$825,553,310	\$789,869,657

*See accompanying notes to consolidated financial statements.*



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

	March 31, 2016 (Unaudited)	December 31, 2015
<b>LIABILITIES</b>		
Mortgage Notes Payable, net	\$91,124,627	\$100,358,717
Unsecured Term Loans, net	99,420,702	99,156,151
Senior Unsecured Notes, net	99,176,580	99,389,620
Unsecured Revolving Credit Facility	60,000,000	18,000,000
Dividends and Distributions Payable	9,812,376	9,757,988
Deferred Revenue	424,798	540,643
Accrued Interest Payable	1,977,551	962,825
Accounts Payable and Accrued Expense		
Capital expenditures	27,952	122,496
Operating	6,252,263	3,926,962
Interest Rate Swaps	6,138,222	3,301,108
Deferred Income Taxes	705,000	705,000
Tenant Deposits	38,608	28,608
Total Liabilities	375,098,679	336,250,118
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.0001 par value, 28,000,000 shares authorized, 20,754,264 and 20,637,301 shares issued and outstanding, respectively	2,075	2,064
Preferred Stock, \$.0001 par value per share, 4,000,000 shares authorized		
Series A junior participating preferred stock, \$.0001 par value, 200,000 authorized, no shares issued and outstanding	-	-
Additional paid-in-capital	484,511,186	482,514,380
Dividends in excess of net income	(30,452,339 )	(28,262,441 )
Accumulated other comprehensive loss	(6,017,490 )	(3,130,376 )
Total Stockholders' Equity - Agree Realty Corporation	448,043,432	451,123,627

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Non-controlling interest	2,411,199	2,495,912
Total Stockholders' Equity	450,454,631	453,619,539
 Total Liabilities and Stockholders' Equity	 \$825,553,310	 \$789,869,657

*See accompanying notes to consolidated financial statements.*



**AGREE REALTY CORPORATION****CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME****(Unaudited)**

	Three Months Ended	
	March 31, 2016	March 31, 2015
Revenues		
Minimum rents	\$18,491,035	\$ 14,554,011
Percentage rents	183,345	9,811
Operating cost reimbursement	1,589,060	1,178,025
Other income	(39,582 )	1,209
Total Revenues	20,223,858	15,743,056
Operating Expenses		
Real estate taxes	1,122,664	762,923
Property operating expenses	573,026	571,390
Land lease payments	163,276	131,863
General and administrative	2,045,026	1,667,600
Depreciation and amortization	5,085,250	3,553,581
Total Operating Expenses	8,989,242	6,687,357
Income from Operations	11,234,616	9,055,699
Other (Expense) Income		
Interest expense, net	(3,648,291 )	(2,460,755 )
Gain on sale of assets	-	79,104
Loss on debt extinguishment	-	(179,867 )
Net Income	7,586,325	6,494,181
Less Net Income Attributable to Non-Controlling Interest	125,492	125,816
Net Income Attributable to Agree Realty Corporation	\$7,460,833	\$ 6,368,365
Net Income Per Share Attributable to Agree Corporation		
Basic	\$0.37	\$ 0.37
Diluted	\$0.36	\$ 0.37
Other Comprehensive Income		
Net income	\$7,586,325	\$ 6,494,181
Other Comprehensive Loss	(2,935,676 )	(2,011,828 )
Total Comprehensive Income	4,650,649	4,482,353
Comprehensive Income Attributable to Non-Controlling Interest	(76,931 )	(86,832 )

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Comprehensive Income Attributable to Agree Realty Corporation	\$4,573,718	\$ 4,395,521
Weighted Average Number of Common Shares Outstanding - Basic	20,438,729	17,369,832
Weighted Average Number of Common Shares Outstanding - Diluted:	20,480,140	17,416,359

*See accompanying notes to consolidated financial statements.*

**AGREE REALTY CORPORATION****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****(Unaudited)**

	Common Stock Shares	Amount	Additional Paid-In Capital	Dividends in excess of net income	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity
Balance, December 31, 2015	20,637,301	\$ 2,064	\$ 482,514,380	\$(28,262,441)	\$(3,130,376 )	\$ 2,495,912	\$ 453,619,539
Issuance of common stock, net of issuance costs	53,886	5	1,991,829	-	-	-	1,991,834
Repurchase of common shares	(20,381 )	(2 )	(703,053 )				(703,055 )
Issuance of restricted stock under the Omnibus Incentive Plan	83,458	8	-	-	-	-	8
Forfeiture of restricted stock	-	-	-	-	-	-	-
Vesting of restricted stock	-	-	708,030	-	-	-	708,030
Dividends and distributions declared for the period	-	-	-	(9,650,731 )	-	(161,643 )	(9,812,374 )
Other comprehensive income (loss) - change in fair value of interest rate swaps	-	-	-	-	(2,887,114 )	(48,562 )	(2,935,676 )
Net income	-	-	-	7,460,833	-	125,492	7,586,325
Balance, March 31, 2016	20,754,264	\$ 2,075	\$ 484,511,186	\$(30,452,339)	\$(6,017,490 )	\$ 2,411,199	\$ 450,454,631

*See accompanying notes to consolidated financial statements.*



**AGREE REALTY CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended	
	March 31, 2016	March 31, 2015
Cash Flows from Operating Activities		
Net income	\$7,586,325	\$6,494,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,377,814	2,571,170
Amortization	1,707,436	1,091,833
Amortization from financing and credit facility costs	170,105	58,779
Stock-based compensation	708,030	523,955
Loss on extinguishment of debt	-	179,867
(Gain) loss on sale of assets	-	(79,104 )
(Increase) decrease in accounts receivable	(388,837 )	(415,399 )
(Increase) decrease in other assets	262,383	(826,915 )
Increase (decrease) in accounts payable	2,202,807	(236,711 )
Increase (decrease) in deferred revenue	(115,845 )	(115,845 )
Increase (decrease) in accrued interest	1,014,726	(89,380 )
Increase (decrease) in tenant deposits	10,000	-
Net Cash Provided by Operating Activities	16,534,944	9,156,431
Cash Flows from Investing Activities		
Acquisition of real estate investments	(33,486,435 )	(60,262,740 )
Development of real estate investments and other (including capitalized interest of \$7,269 in 2016 and \$1,001 in 2015)	(6,202,814 )	(272,324 )
Payment of leasing costs	(39,428 )	-
Net proceeds from sale of assets	-	975,636
Net Cash Used In Investing Activities	(39,728,677 )	(59,559,428 )
Cash Flows from Financing Activities		
Proceeds from common stock offerings, net	1,991,840	(94,633 )
Repurchase of common shares	(703,053 )	-
Unsecured revolving credit facility borrowings	42,000,000	64,500,000
Payments of mortgage notes payable	(9,300,179 )	(3,082,805 )
Dividends paid	(9,596,345 )	(7,892,976 )
Limited partners' distributions paid	(161,643 )	(156,429 )
Debt extinguishment costs	-	(150,084 )
Repayments of payables for capital expenditures	-	(200,300 )
Payments for financing costs	(37,102 )	-
Net Cash Provided by Financing Activities	24,193,518	52,922,773

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Net Increase (Decrease) in Cash and Cash Equivalents	999,785	2,519,776
Cash and Cash Equivalents, beginning of period	2,711,588	5,399,458
Cash and Cash Equivalents, end of period	\$3,711,373	\$7,919,234
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest (net of amounts capitalized)	\$2,484,494	\$2,367,949
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Shares issued under equity incentive plans	\$3,059,018	\$2,463,751
Dividends and limited partners' distributions declared and unpaid	\$9,812,376	\$8,077,605
Real estate investment financed with accounts payable	\$27,952	\$24,452

*See accompanying notes to consolidated financial statements.*

## AGREE REALTY CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**March 31, 2016**

**(Unaudited)**

#### Note 1 – Organization

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

Our assets are held by, and all of our operations are conducted through, directly or indirectly, Agree Limited Partnership (the “Operating Partnership”), of which we are the sole general partner and in which we held a 98.4% interest as of March 31, 2016. Under the partnership agreement of the Operating Partnership, we, as the sole general partner, have exclusive responsibility and discretion in the management and control of the Operating Partnership.

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

#### Note 2 – Summary of Significant Accounting Policies

##### *Basis of Accounting and Principles of Consolidation*

The accompanying unaudited consolidated financial statements for the three months ended March 31, 2016 have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for audited financial statements. The unaudited consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim period presented. Operating results for the three months ended March 31, 2016 may not be indicative of the results that may be expected for the year ending December 31, 2016. Amounts as of December 31, 2015 included in the consolidated financial statements have been derived from the audited consolidated financial statements as of that date. The unaudited consolidated financial statements, included herein, should be read in conjunction with the consolidated financial statements and notes thereto, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Form 10-K for the year ended December 31, 2015.

The unaudited consolidated financial statements include the accounts of the Company, the Operating Partnership and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

#### Use of Estimates

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

#### Reclassification

Certain reclassifications or prior period amounts have been made in the consolidated financial statements and footnotes in order to conform to the current presentation. As a result of the adoption of ASU 2015-03, unamortized debt issuance cost is presented as a direct deduction from the carrying amount of the debt liability; in previously filed reports the unamortized debt issuance cost was classified on the Balance Sheets as an Unamortized Deferred Expense.

#### Segment Reporting

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



**AGREE REALTY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

**(Unaudited)**

*Real Estate Investments*

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

*Accounting for Acquisitions of Real Estate*

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

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

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash and money market accounts. The account balances periodically exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage, and as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. We had \$2.7 million and \$1.7 million as of March 31, 2016 and December 31, 2015, respectively, in excess of the FDIC insured limit.

Accounts Receivable – Tenants

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

Sales Tax

The Company collects various taxes from tenants and remits these amounts, on a net basis, to the applicable taxing authorities.

Unamortized Deferred Expenses

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

**AGREE REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2016****(Unaudited)**

The following schedule summarizes the Company's amortization of deferred expenses for the three months ended March 31, 2016 and 2015, respectively:

	March 31, 2016	March 31, 2015
Credit Facility Financing Costs	\$ 52,505	\$ 58,779
Leasing Costs	21,946	29,347
Lease Intangibles	1,685,490	953,061
Total	\$ 1,759,941	\$ 1,041,187

The following schedule represents estimated future amortization of deferred expenses as of March 31, 2016:

Year Ending December 31, 2016	(remaining)	2017	2018	2019	2020	Thereafter	Total
Credit Facility Financing Costs	\$ 157,515	\$210,018	\$122,751	\$-	\$-	\$-	\$490,284
Leasing Costs	65,839	87,125	84,789	82,662	62,452	299,179	682,046
Lease Intangibles	5,093,241	6,725,885	6,315,847	6,055,325	5,920,094	46,540,468	76,650,860
Total	\$5,316,595	\$7,023,028	\$6,523,387	\$6,137,987	\$5,982,546	\$46,839,647	\$77,823,190

**Earnings per Share**

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

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

	Three Months Ended	
	March 31, 2016	March 31, 2015
Weighted average number of common shares outstanding	20,666,806	17,595,227
Less: Unvested restricted stock	(228,077 )	(225,395 )
Weighted average number of common shares outstanding used in basic earnings per share	20,438,729	17,369,832
Weighted average number of common shares outstanding used in basic earnings per share	20,438,729	17,369,832
Effect of dilutive securities: restricted stock	41,411	46,527
Weighted average number of common shares outstanding used in diluted earnings per share	20,480,140	17,416,359

### Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. As a REIT, the Company generally will not be subject to federal income tax provided it continues to satisfy certain tests concerning the Company's sources of income, the nature of its assets, the amounts distributed to its stockholders, and the ownership of Company stock. Management believes the Company has qualified and will continue to qualify as a REIT. Notwithstanding the Company's qualification for taxation as a REIT, the Company is subject to certain state and local taxes on its income and real estate.

## AGREE REALTY CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(Unaudited)

The Company has established taxable REIT subsidiaries (“TRS”) pursuant to the provisions of the Internal Revenue Code. The Company’s TRS entities are able to engage in activities resulting in income that would be non-qualifying income for a REIT. As a result, certain activities of the Company which occur within its TRS entities are subject to federal and state income taxes. As of March 31, 2016 and December 31, 2015, the Company had accrued a deferred income tax amount of \$705,000. In addition, the Company recognized income tax expense of \$0 and \$3,317 for the three months ended March 31, 2016 and 2015, respectively.

#### Fair Values of Financial Instruments

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

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

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

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

#### Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-09 “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The ASU includes

multiple provisions intended to simplify various aspects of the accounting for share-based payments. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to impact net income, earnings per share, and the statement of cash flows. ASU No. 2016-09 is effective for annual reporting periods (including interim periods with those periods) beginning after December 15, 2016. Early adoption is permitted. We are still in the process of determining the impact that the implementation of ASU 2016-09 will have on the Company's financial statements.

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-05 "Derivatives and Hedging (Topic 815): "Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships". ASU 2016-05 addresses the impact on hedge accounting due to a change in a counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815. The amendments in this Update apply to all reporting entities for which there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815. The amendments in this Update clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria (including those in paragraphs 815-20-35-14 through 35-18) continue to be met. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. We have reviewed ASU 2016-05 in the context of our hedge accounting and determined that it has no impact.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02 "Leases." The new standard creates Topic 842, Leases, in FASB *Accounting Standards Codification* (FASB ASC) and supersedes FASB ASC 840, *Leases*. ASU 2016-02 requires a lessee to recognize the assets and liabilities that arise from leases (operating and finance). However, for leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. The main difference between the existing guidance on accounting for leases and the new standard is that operating leases will now be recorded in the statement of financial position as assets and liabilities. Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the financial statements as rent expense on the income statement and in disclosures to the financial statements. ASU No. 2016-02 is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2018. Early adoption is permitted. We are still in the process of determining the impact that the implementation of ASU 2016-02 will have on the Company's financial statements.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-03 "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The objective of ASU 2015-03 is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. To simplify presentation of debt issuance costs, the amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments. ASU No. 2015-03 is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2015. Early adoption is permitted. The Company has adopted the new guidance and determined the resulting impact on the statements was a reclassification of certain deferred financing costs from other assets to notes payable.



**AGREE REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2016****(Unaudited)**

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09 “Revenue from Contracts with Customers” (Topic 606). ASU No. 2014-09 was developed to enable financial statement users to better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The update’s core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Companies are to use a five-step contract review model to ensure revenue is recognized, measured and disclosed in accordance with this principle. ASU 2014-09 was to be effective for fiscal years and interim periods beginning after December 15, 2016. In August 2015, the Financial Accounting Standards Board issued ASU No. 2015-14 to defer the effective date of ASU No. 2014-09 for one year. As a result, ASU No. 2014-09 is now effective for fiscal years and interim periods beginning after December 15, 2017. In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-08 “Revenue from Contracts with Customers: Principal versus Agent Considerations”. The amendments in this Update do not change the core principle of the guidance in Topic 606. The amendments clarify the implementation guidance on principal versus agent considerations. The amendments in this update will be applied retrospectively either to each prior reporting period presented or to disclose the cumulative effect recognized at the date of initial application. We are still in the process of determining the impact that the implementation of ASU 2014-09 will have on the Company’s financial statements.

## Note 3 – Real Estate Investments

Real Estate Portfolio

The Company’s real estate investments consisted of the following as of March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Number of Properties	291	278
Gross Leasable Area	5,443,000	5,207,000
Land	\$ 236,700,064	\$ 225,273,640
Buildings	553,441,081	526,911,997
Property under Development	3,575,090	3,663,301
Gross Real Estate Investments	\$ 793,716,235	\$ 755,848,938
Less Accumulated Depreciation	\$ (59,763,907 )	\$ (56,401,423 )



Net Real Estate Investments      \$ 733,952,328      \$ 699,447,515

### Lease Intangibles

The following table details lease intangibles, net of accumulated amortization, as of March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Intangible Lease Asset - In-Place Leases	\$ 49,268,003	\$ 47,051,639
Less: Accumulated Amortization	(8,149,993 )	(7,239,191 )
Intangible Lease Asset - Above-Market Leases	63,605,600	61,241,046
Less: Accumulated Amortization	(8,678,391 )	(7,367,216 )
Intangible Lease Liability - Below-Market Leases	(23,959,459 )	(21,162,576 )
Less: Accumulated Amortization	4,565,100	4,028,614
Lease Intangible Asset, net	\$ 76,650,860	\$ 76,552,316

### Investments

During the three months ended March 31, 2016, the Company purchased 12 retail net lease assets for approximately \$33.3 million, including acquisition and closing costs. These properties are located in nine states and are leased to 13 different tenants operating in nine diverse retail sectors for a weighted average lease term of approximately 6.9 years. The underwritten weighted average capitalization rate on the Company's acquisitions was approximately 7.9%.

**AGREE REALTY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

**(Unaudited)**

The aggregate first quarter 2016 acquisitions were allocated \$10.4 million to land, \$21.1 million to buildings and improvements, and \$1.8 million to lease intangibles. The acquisitions were all cash purchases and there was no contingent consideration associated with these acquisitions.

None of the Company's acquisitions during the first three months of 2016 caused any new or existing tenant to comprise 10% or more of its total assets or generate 10% or more of its total annualized base rent at March 31, 2016.

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

**Note 4 – Debt**

In April 2015, FASB issued ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the gross carrying amount of that debt liability, consistent with debt discounts. We adopted ASU 2015-03 effective as of the three months ended March 31, 2016 and appropriately retrospectively applied the guidance to our Mortgage Notes Payable, Unsecured Term Loans and Senior Unsecured Notes for all periods presented. Unamortized debt issuance costs of approximately \$2.6 million and \$2.7 million are now included as of March 31, 2016 and December 31, 2015, respectively (previously included in Unamortized Deferred Expenses on our Consolidated Balance Sheets.)

As of March 31, 2016, the Company had total gross indebtedness of \$352.3 million including (i) \$92.3 million of mortgage notes payable; (ii) \$100.0 million of unsecured term loans; (iii) \$100.0 million of senior unsecured notes; and (iv) \$60.0 million of borrowings under its Credit Facility.

*Mortgage Notes Payable*

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As of March 31, 2016, the Company had total gross mortgage indebtedness of \$92.3 million which was collateralized by related real estate with an aggregate net book value of \$118.1 million. Including mortgages that have been swapped to a fixed interest rate, the weighted average interest rate on the Company's mortgage notes payable was 4.85%.

In March 2016, the Company prepaid a mortgage note payable with an outstanding balance of \$8.6 million. The fully-amortizing loan carried a 6.56% interest rate and the final monthly payment was due in June 2016.

**AGREE REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2016****(Unaudited)**

Mortgages payable consisted of the following:

	(Unaudited) March 31, 2016	December 31, 2015
Note payable in monthly installments of interest only at 6.56% annum, with a balloon payment in the amount of \$8,580,000 paid on March 11, 2016; collateralized by related real estate and tenants' leases	\$ -	\$ 8,580,000
Note payable in monthly principal installments of \$56,380 plus interest at 170 basis points over LIBOR, swapped to a fixed rate of 3.62% as of December 31, 2015. A final balloon payment in the amount of \$19,744,758 is due on May 14, 2017 unless extended for a two year period at the option of the Company, subject to certain conditions, collateralized by related real estate and tenants' leases	20,571,698	20,740,838
Note payable in monthly installments of interest only at LIBOR plus 160 basis points, swapped to a fixed rate of 2.49% with balloon payment due April 4, 2018; collateralized by related real estate and tenants' leases	25,000,000	25,000,000
Note payable in monthly installments of \$153,838 including interest at 6.90% per annum, with the final monthly payment due January 2020; collateralized by related real estate and tenants' leases	6,202,425	6,552,907
Note payable in monthly installments of \$23,004 including interest at 6.24% per annum, with a balloon payment of \$2,766,628 due February 2020; collateralized by related real estate and tenant lease	3,109,049	3,128,803
Note payable in monthly installments of interest only at 3.60% per annum, with a balloon payment due January 1, 2023; collateralized by related real estate and tenants' leases	23,640,000	23,640,000
Note payable in monthly installments of \$35,673 including interest at 5.01% per annum, with a balloon payment of \$4,034,627 due September 2023; collateralized by related real estate and tenant lease	5,409,882	5,448,058

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Note payable in monthly installments of \$91,675 including interest at 6.27% per annum, with a final monthly payment due July 2026; collateralized by related real estate and tenants' leases	8,351,135	8,493,762	
Total Principal	92,284,189	101,584,368	
Unamortized debt issuance costs	(1,159,562 )	(1,225,651 )	
Total	\$ 91,124,627	\$ 100,358,717	

**AGREE REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2016****(Unaudited)***Debt Maturities*

The following table presents scheduled principal payments related to our debt as of March 31, 2016:

	Scheduled Principal	Balloon Payment	Total
Remainder of 2016	\$2,233,856	\$-	\$2,233,856
2017 (1)	2,710,697	19,744,758	22,455,455
2018 (2)	2,575,654	85,000,000	87,575,654
2019	2,750,823	-	2,750,823
2020	1,100,218	37,766,951	38,867,169
Thereafter	9,761,232	188,640,000	198,401,232
Total	\$21,132,480	\$331,151,709	\$352,284,189

(1) *The balloon payment is related to a mortgage note that matures in May 2017 and may be extended, at the Company's election, for a two-year term to May 2019, subject to certain conditions.*

*The balloon payment balance includes the balance outstanding under the Credit Facility as of March 31, 2016.*

(2) *The Credit Facility matures in July 2018 and may be extended for one year at the Company's election, subject to certain conditions.*

*Senior Unsecured Notes*

The following table presents the Senior Unsecured Notes balance net of unamortized debt issuance costs as of March 31, 2016 and 2015:

	March 31, 2016 (Unaudited)	December 31, 2015
2025 Senior Unsecured Note	\$ 50,000,000	\$ 50,000,000
2027 Senior Unsecured Note	50,000,000	50,000,000
Total Principal	100,000,000	100,000,000

Unamortized debt issuance costs	(823,420	)	(610,380	)
Total	\$ 99,176,580		\$ 99,389,620	

On May 28, 2015, the Company completed a private placement of \$100.0 million principal amount of senior unsecured notes (the "Senior Unsecured Notes"). The Senior Unsecured Notes were sold in two series, including \$50 million of 4.16% notes due May 30, 2025 and \$50.0 million of 4.26% notes due May 30, 2027. The weighted average term of the Senior Unsecured Notes is 11 years and the weighted average interest rate is 4.21%. Proceeds from the issuance were used to repay borrowings under the Company's Credit Facility and for general corporate purposes.

**AGREE REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2016****(Unaudited)***Revolving Credit and Term Loan Facility*

The following table presents the Unsecured Term Loans balance net of unamortized debt issuance costs as of March 31, 2016 and 2015:

	March 31, 2016 (Unaudited)	December 31, 2015
2020 Term Loan	\$ 35,000,000	\$ 35,000,000
2021 Term Loan	65,000,000	65,000,000
Total Principal	100,000,000	100,000,000
Unamortized debt issuance costs	(579,298 )	(843,849 )
Total	\$ 99,420,702	\$ 99,156,151

The Company has in place a \$250.0 million senior unsecured revolving credit and term loan facility (the “Revolving Credit and Term Loan Facility”) consisting of (i) a \$150.0 million revolving credit facility (the “Credit Facility”); (ii) a \$65.0 million seven-year unsecured term loan facility (the “2021 Term Loan”); and (iii) a \$35.0 million unsecured term loan facility due 2020 (the “2020 Term Loan”).

The Credit Facility is due July 21, 2018, with an additional one-year extension at the Company’s option, subject to customary conditions. Borrowings under the Credit Facility are priced at LIBOR plus 135 to 200 basis points, depending on the Company’s leverage. As of March 31, 2016, \$60 million was outstanding under the Credit Facility bearing a weighted average interest rate of approximately 1.6% and \$90 million was available for borrowing.

The 2021 Term Loan matures on July 21, 2021. Borrowings under the 2021 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company’s leverage, and the Company entered into interest rate swaps to fix LIBOR at 2.09% until maturity. As of March 31, 2016, \$65.0 million was outstanding under the 2021 Term Loan bearing an all-in interest rate of 3.74%.



The 2020 Term Loan matures on September 29, 2020. Borrowings under the 2020 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage, and the Company entered into interest rate swaps to fix LIBOR at 2.20% until maturity. As of March 31, 2016, \$35.0 million was outstanding under the 2020 Term Loan bearing an all-in interest rate of 3.85%.

The Revolving Credit and Term Loan Facility contain customary covenants, including, among others, financial covenants regarding debt levels, total liabilities, tangible net worth, fixed charge coverage, unencumbered borrowing base properties and permitted investments. The Company was in compliance with the covenant terms at March 31, 2016.

#### Note 5 – Common Stock

On May 6, 2015, the Company implemented a \$100.0 million at-the-market equity program ("ATM program") by entering into multiple equity distribution agreements through which the Company may, from time to time, sell shares of common stock. The Company uses the proceeds generated from its ATM program for general corporate purposes including funding our investment activity, the repayment or refinancing of outstanding indebtedness, working capital and other general purposes.

During the three months ended March 31, 2016, the Company issued 53,886 shares of common stock under its ATM program at an average price of \$38.38, realizing gross proceeds of approximately \$2.1 million. The Company has approximately \$57.9 million remaining under the ATM program as of March 31, 2016.

During the year ended December 31, 2015, the Company issued 1,318,812 of common stock under its ATM program at an average price of \$30.31, realizing gross proceeds of approximately \$40 million.

**AGREE REALTY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

**(Unaudited)**

On March 27, 2015, the Securities and Exchange Commission declared effective a shelf registration statement previously filed by the Company. The securities covered by this registration statement, which expires March 27, 2018, cannot exceed \$500.0 million in the aggregate and include common stock, preferred stock, depositary shares and warrants. The Company may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if these securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

We completed a follow-on offering of 1,725,000 shares of common stock in December 2015. The offering, which included the full exercise of the overallotment option by the underwriters, raised net proceeds of approximately \$53.0 million after deducting the underwriting discount. The proceeds from the offering were used to pay down amounts outstanding under the Credit Facility and for general corporate purposes.

**Note 6 – Dividends and Distribution Payable**

On March 1, 2016, the Company declared a dividend of \$0.465 per share for the quarter ended March 31, 2016. The holders of limited partnership interests in the Operating Partnership (“OP Units”) were entitled to an equal distribution per OP Unit held as of March 31, 2016. The dividends and distributions payable were recorded as liabilities on the Company's consolidated balance sheet at March 31, 2016. The dividend has been reflected as a reduction of stockholders' equity and the distribution has been reflected as a reduction of the limited partners' non-controlling interest. These amounts were paid on April 15, 2016.

**Note 7 – Derivative Instruments and Hedging Activity**

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

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

In April 2012, the Company entered into a forward starting interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$22.3 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, the Company receives from the counterparty interest on the notional amount based on one-month LIBOR and pays to the counterparty a fixed rate of 1.92%. This swap effectively converted \$22.3 million of variable-rate borrowings to fixed-rate borrowings from July 1, 2013 to May 1, 2019.

In December 2012, the Company entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$25.0 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, the Company receives from the counterparty interest on the notional amount based on one-month LIBOR and pays to the counterparty a fixed rate of 0.89%. This swap effectively converted \$25.0million of variable-rate borrowings to fixed-rate borrowings from December 6, 2012 to April 4, 2018.

In September 2013, the Company entered into an interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$35.0 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, the Company receives from the counterparty interest on the notional amount based on one-month LIBOR and pays to the counterparty a fixed rate of 2.20%. This swap effectively converted \$35.0 million of variable-rate borrowings to fixed-rate borrowings from October 3, 2013 to September 29, 2020.

**AGREE REALTY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

**(Unaudited)**

In July 2014, the Company entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$65.0 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, the Company receives from the counterparty interest on the notional amount based on one-month LIBOR and pays to the counterparty a fixed rate of 2.09%. This swap effectively converted \$65.0 million of variable-rate borrowings to fixed-rate borrowings from July 21, 2014 to July 21, 2021.

Companies are required to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. The Company has designated these derivative instruments as cash flow hedges. As such, changes in the fair value of the derivative instrument are recorded as a component of other comprehensive income (loss) ("OCI") for the three months ended March 31, 2016 to the extent of effectiveness. The ineffective portion of the change in fair value of the derivative instrument is recognized in interest expense. For the three months ended March 31, 2016, the Company has determined these derivative instruments to be effective hedges.

The Company does not use derivative instruments for trading or other speculative purposes and did not have any other derivative instruments or hedging activities as of March 31, 2016.

**Note 8 – Discontinued Operations**

The Company elected to early adopt ASU 2014-08 "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" in the first quarter of 2014.

There were no properties classified as discontinued operations for the three months ended March 31, 2016 and 2015.

**Note 9 – Fair Value Measurements**

The table below sets forth the Company's fair value hierarchy for assets and liabilities measured or disclosed at fair value as of March 31, 2016.

Liability:	Level 1	Level 2	Level 3	Carrying Value
Interest rate swaps	\$ -	\$6,138,222	\$-	\$ 6,138,222
Mortgage notes payable	\$ -	\$-	\$94,526,385	\$ 92,284,189
Unsecured term loans	\$ -	\$-	\$100,008,610	\$ 100,000,000
Senior unsecured notes	\$ -	\$-	\$99,685,161	\$ 100,000,000
Revolving credit facility	\$ -	\$60,000,000	\$-	\$ 60,000,000

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

#### Note 10 – Equity Incentive Plan

The Company estimates the fair value of restricted stock grants at the date of grant and amortizes those amounts into expense on a straight line basis or amount vested, if greater, over the appropriate vesting period.

As of March 31, 2016, there was \$6.6 million of total unrecognized compensation costs related to the outstanding restricted stock, which is expected to be recognized over a weighted average period of 3.7 years. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has deemed historical forfeitures insignificant and does not consider discount rates to be material.

The holder of a restricted stock award is generally entitled at all times on and after the date of issuance of the restricted shares to exercise the rights of a stockholder of the Company, including the right to vote the shares and the right to receive dividends on the shares.

**AGREE REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2016****(Unaudited)**

Restricted stock activity is summarized as follows:

	Shares Outstanding	Weighted Average Grant Date Fair Value
Unvested restricted stock at December 31, 2015	212,943	\$ 29.07
Restricted stock granted	83,458	\$ 36.65
Restricted stock vested	(68,324 )	\$ 26.89
Restricted stock forfeited	-	\$ -
Unvested restricted stock at March 31, 2016	228,077	\$ 32.50

**Note 11 – Subsequent Events**

In connection with the preparation of its financial statements for the three months ended March 31, 2016, the Company has evaluated events that occurred subsequent to March 31, 2016 through the date on which these financial statements were available to be issued to determine whether any of these events required disclosure in the financial statements. The Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following should be read in conjunction with the Interim Consolidated Financial Statements of Agree Realty Corporation (the "Company"), including the respective notes thereto, which are included in this Quarterly Report on Form 10-Q.

**Cautionary Note Regarding Forward-Looking Statements**

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "anticipate," "estimate," "should," "expect," "believe," "intend," "may," "will," "seek," "could," "project," or similar. Forward-looking statements in this report include information about possible or assumed future events, including, among other things, discussion and analysis of our future financial condition, results of operations, our strategic plans and objectives, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated expenditures of capital, and other matters. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations, include, but are not limited to: the global and national economic conditions and changes in general economic, financial and real estate market conditions; changes in our business strategy; risks that our acquisition and development projects will fail to perform as expected; the potential need to fund improvements or other capital expenditures out of operating cash flow; financing risks, such as the inability to obtain debt or equity financing on favorable terms or at all; the level and volatility of interest rates; our ability to re-lease space as leases expire; loss or bankruptcy of one or more of our major tenants; a failure of our properties to generate additional income to offset increases in operating expenses; our ability to maintain our qualification as real estate investment trust ("REIT") for federal income tax purposes and the limitations imposed on our business by our status as a REIT; and legislative or regulatory changes, including changes to laws governing REITs. The factors included in this quarterly report, including the documents incorporated by reference, and documents the Company subsequently files with the SEC and incorporates by reference, are not exhaustive and additional factors could adversely affect its business and financial performance. For a discussion of additional risk factors, see the factors included under the caption "Risk Factors" in the Company's most recent Annual Report on Form 10-K. All forward-looking statements are based on information that was available, and speak only, as of the date on which they were made. Except as required by law, the Company disclaims any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur.

**Overview**

The Company is a fully integrated REIT primarily focused on the ownership, acquisition, development and management of retail properties net leased to industry leading tenants. The Company was founded in 1971 by its current Executive Chairman, Richard Agree, and listed on the New York Stock Exchange (“NYSE”) in 1994. The Company’s assets are held by, and all of its operations are conducted through, directly or indirectly, Agree Limited Partnership (the “Operating Partnership”), of which the Company is the sole general partner and in which it held a 98.4% interest as of March 31, 2016.

As of March 31, 2016, the Company’s portfolio consisted of 291 properties located in 42 states and totaling approximately 5.4 million square feet of gross leasable area. As of March 31, 2016, the portfolio was approximately 99.5% leased and had a weighted average remaining lease term of approximately 11.2 years. Substantially all of the Company’s tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance.

#### First Quarter 2016 Highlights

During the three months ended March 31, 2016, the Company purchased 12 retail net lease assets for approximately \$33.3 million, including acquisition and closing costs. These properties are located in nine states and are 100% leased to 13 different tenants operating in nine diverse retail sectors for a weighted average lease term of approximately 6.9 years. The underwritten weighted average capitalization rate on the Company’s first quarter 2016 acquisitions was approximately 7.9%.



During the three months ended March 31, 2016, the Company completed the development of a previously announced Hobby Lobby in Springfield, Ohio. Hobby Lobby is subject to a new 15-year lease and rent commenced in the first quarter of 2016. The total project cost was approximately \$5.0 million.

#### Recent Accounting Pronouncements

Refer to Note 2 to the March 31, 2016, Interim Consolidated Financial Statements.

#### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires the Company’s management to use judgment in the application of accounting policies, including making estimates and assumptions. Management bases estimates on the best information available at the time, its experience, and on various other assumptions believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. If management’s judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of the interim consolidated financial statements. From time to time, the Company may re-evaluate its estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. A summary of the Company’s critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The Company has not made any material changes to these policies during the periods covered by this quarterly report.

#### Results of Operations

##### Comparison of Three Months Ended March 31, 2016 to Three Months Ended March 31, 2015

Minimum rental income increased \$3,937,000, or 27%, to \$18,491,000 in 2016, compared to \$14,554,000 in 2015. Approximately \$4,397,000 of the increase was due to the acquisition of additional net lease properties and approximately \$144,000 was due to the development of new net lease properties. These increases were partially offset by a reduction in minimum rental income of approximately \$601,000 relating to properties that were sold.

Percentage rents increased \$173,000 to \$183,000 in 2016, compared to \$10,000 in 2015. The increase was the result of earlier recognition of percentage rent in the first quarter of 2016, compared to the recognition of percentage rent that took place in the second quarter of 2015.

Operating cost reimbursements increased \$411,000, or 35%, to \$1,589,000 in 2016, compared to \$1,178,000 in 2015. Operating cost reimbursements increased primarily due to higher levels of recoverable property operating expenses, including real estate taxes, acquisition, disposition and development activity. The portfolio recovery rate increased to 94% in 2016 compared to 88% in 2015.

Other income decreased by \$40,000 in 2016 from \$1,200 in 2015. The primary driver of the decrease was the reversal of revenue recognized in the fourth quarter of 2015.

Real estate taxes increased \$360,000, or 47%, to \$1,123,000 in 2016, compared to \$763,000 in 2015. The increase was due to the ownership of additional properties in the first quarter of 2016 compared to the first quarter of 2015 for which we remit real estate taxes and are subsequently reimbursed by tenants.

Property operating expenses increased \$2,000, or 0%, to \$573,000 in 2016, compared to \$571,000 in 2015.

Land lease payments increased \$31,000, or 24%, to \$163,000 in 2016, compared to \$132,000 for 2015. The increase is the result of properties acquired after the first quarter of 2015 that are subject to land leases.

General and administrative expenses increased \$377,000, or 23%, to \$2,045,000 in 2016, compared to \$1,668,000 in 2015. The increase is primarily the result of increased employee and professional costs. General and administrative expenses as a percentage of total revenue decreased to 10.1% for 2016 from 10.6% in 2015.

Depreciation and amortization increased \$1,531,000, or 43%, to \$5,085,000 in 2016, compared to \$3,554,000 in 2015. The increase was primarily the result of recent acquisition and development activity.

The Company recorded no impairment charges during the first quarter of 2016.

Interest expense increased \$1,187,000, or 48%, to \$3,648,000 in 2016, compared to \$2,461,000 for 2015. The increase in interest expense is primarily a result of the \$100,000,000 senior unsecured notes issued in May 2015.

The Company recognized no gain or loss on sale of real estate during the first quarter of 2016. As compared to a gain of \$79,000 in 2015.

Net income attributable to the Company increased \$1,093,000, to \$7,461,000 in 2016, from \$6,368,000 in 2015 as a result of the foregoing factors.

#### Liquidity and Capital Resources

The Company's principal demands for funds include payment of operating expenses, payment of principal and interest on its outstanding indebtedness, distributions to its shareholders and future property acquisitions and development.

The Company expects to meet its short term liquidity requirements through cash provided from operations and borrowings under its \$150.0 million unsecured revolving credit facility (the "Credit Facility"). As of March 31, 2016, \$60.0 million was outstanding on the Credit Facility and \$90.0 million was available for future borrowings. The Company anticipates funding its long term capital needs through cash provided from operations, borrowings under the Credit Facility, the issuance of long term debt or the issuance of common or preferred equity or other instruments convertible into or exchangeable for common or preferred equity.

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

advantageous to us.

## Capitalization

As of March 31, 2016, the Company's total market capitalization was approximately \$1.2 billion. Market capitalization consisted of \$811.8 million of common equity (based on the March 31, 2016 closing price on the NYSE of \$38.47 per common share and assuming the conversion of operating partnership units in the Operating Partnership ("OP units")) and \$352.3 million of total debt, including (i) \$92.3 million of mortgage notes payable; (ii) \$100.0 million of unsecured term loans; (ii) \$100.0 million of senior unsecured notes; and (iii) \$60.0 million of borrowings under our Credit Facility. Our ratio of total debt to total market capitalization was 30.3% at March 31, 2016.

At March 31, 2016, the non-controlling interest in the Operating Partnership represented ownership of 1.7% of the Operating Partnership. The OP Units may, under certain circumstances, be exchanged for shares of common stock on a one-for-one basis. The Company, as sole general partner of the Operating Partnership, has the option to settle exchanged OP Units held by others for cash based on the current trading price of its shares. Assuming the exchange of all OP Units, there would have been 21,101,883 shares of common stock outstanding at March 31, 2016.

## Debt

### Revolving Credit and Term Loan Facility

The Company has in place a \$250.0 million senior unsecured revolving credit and term loan facility (the "Revolving Credit and Term Loan Facility") consisting of (i) a \$150.0 million Credit Facility; (ii) a \$65.0 million seven-year unsecured term loan facility (the "2021 Term Loan"); and (iii) a \$35.0 million unsecured term loan facility due 2020 (the "2020 Term Loan").

The Credit Facility is due July 21, 2018, with an additional one-year extension at the Company's option, subject to customary conditions. Borrowings under the Credit Facility are priced at LIBOR plus 135 to 200 basis points, depending on the Company's leverage. As of March 31, 2016, \$60.0 million was outstanding under the Credit Facility bearing a weighted average interest rate of approximately 1.6% and \$90.0 million was available for borrowing.

The 2021 Term Loan matures on July 21, 2021. Borrowings under the 2021 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage, and the Company entered into interest rate swaps to fix LIBOR at 2.09% until maturity. As of March 31, 2016, \$65.0 million was outstanding under the 2021 Term Loan bearing an all-in interest rate of 3.74%.

The 2020 Term Loan matures on September 29, 2020. Borrowings under the 2020 Term Loan are priced at LIBOR plus 165 to 225 basis points, depending on the Company's leverage, and the Company entered into interest rate swaps to fix LIBOR at 2.20% until maturity. As of March 31, 2016, \$35.0 million was outstanding under the 2020 Term Loan bearing an all-in interest rate of 3.85%.

The Revolving Credit and Term Loan Facility contains customary covenants, including, among others, financial covenants regarding debt levels, total liabilities, tangible net worth, fixed charge coverage, unencumbered borrowing base properties, and permitted investments. The Company was in compliance with the covenant terms at March 31, 2016.

#### Senior Unsecured Notes

As of March 31, 2016, the Company had outstanding \$100.0 million principal amount of senior unsecured notes (the "Senior Unsecured Notes") consisting of two series, including \$50.0 million of 4.16% notes due May 30, 2025 and \$50.0 million of 4.26% notes due May 30, 2027. The weighted average term of the Senior Unsecured Notes is 11 years and the weighted average interest rate is 4.21%.

#### Mortgage Notes Payable

As of March 31, 2016, the Company had total mortgage indebtedness of \$92.3 million. Including our mortgages that have been swapped to a fixed interest rate, our weighted average interest rate on mortgage debt was 4.85%. The following table summarizes our mortgage notes payable as of March 31, 2016 (in thousands):

	Interest		Principal Amount Outstanding	
	Rate (1)	Maturity	March 31, 2016	December 31, 2015
Mortgage Note Payable				

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Portfolio Mortgage Loan due 2016 (2)	6.56	% June 2016	\$ -	\$ 8,580
Secured Term Loan due 2017	3.62	% May 2017 (3)	20,572	20,741
Secured Term Loan due 2018	2.49	% April 2018	25,000	25,000
Portfolio Mortgage Loan due 2020	6.90	% January 2020	6,202	6,553
Single Asset Mortgage Loan due 2020	6.24	% January 2020	3,109	3,129
CMBS Portfolio Loan due 2023	3.60	% January 2023	23,640	23,640
Single Asset Mortgage Loan due 2023	5.01	% September 2023	5,410	5,447
Portfolio CTL due 2026	6.27	% July 2026	8,351	8,494
Total			\$ 92,284	\$ 101,584

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

(2) *Mortgage secured by three Wawa Locations was paid off on March 11, 2016 in the amount of \$8,580,000*

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

The mortgage loans encumbering our properties are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan, but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. At March 31, 2016, the mortgage loan of \$20.7 million was partially recourse to us and secured by a limited guaranty of payment and performance for approximately 50% of the loan amount.

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

## Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2016 (in thousands):

	Total	Remainder of 2016	2017-2018	2019-2020	Thereafter
Mortgage Notes Payable	\$92,284	\$ 2,234	\$ 50,031	\$ 6,618	\$ 33,401
Revolving Credit Facility	60,000	-	60,000	-	-
Unsecured Term Loans	100,000	-	-	35,000	65,000
Senior Unsecured Notes	100,000	-	-	-	100,000
Land Lease Obligations	11,455	480	1,281	1,265	8,429
Estimated Interest Payments on Mortgage Notes Payable, Unsecured Term Loans and Senior Unsecured Notes	89,560	9,518	23,158	18,888	37,996
Total	\$453,299	\$ 12,232	\$ 134,470	\$ 61,771	\$ 244,826

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

## Dividends

During the quarter ended March 1, 2016, we declared a quarterly dividend of \$0.465 per share. The cash dividend was paid on April 15, 2016 to holders of record on March 31, 2016.

## Inflation

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

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

## Funds from Operations

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

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

Adjusted Funds from Operations (“AFFO”) is a non-GAAP financial measure of operating performance used by many companies in the REIT industry. AFFO further adjusts FFO for certain non-cash items that reduce or increase net income in accordance with GAAP and for non-recurring items that are not reflective of ongoing operations. Management considers AFFO a useful supplemental measure of the Company’s performance, however, AFFO should not be considered an alternative to net income as an indication of the Company’s performance, or to cash flow as a measure of liquidity or ability to make distributions. The Company’s computation of AFFO may differ from the methodology for calculating AFFO used by other equity REITs, and therefore may not be comparable to such other REITs. Note that, during the year ended December 31, 2015, the Company adjusted its calculation of AFFO to exclude non-recurring capitalized building improvements and to include non-real estate related depreciation and amortization. Management believes that these changes provide a more useful measure of operating performance in the context of AFFO.



The following table provides a reconciliation of FFO and net income for the three ended March 31, 2016 and 2015:

	Three Months Ended	
	March 31, 2016	March 31, 2015
Reconciliation of Funds from Operations to Net Income		
Net income	\$7,586,325	\$6,494,181
Depreciation of real estate assets	3,362,079	2,554,769
Amortization of leasing costs	22,351	29,752
Amortization of lease intangibles	1,685,490	953,061
Gain on sale of assets	-	(79,104 )
Funds from Operations	\$12,656,245	\$9,952,659
 Funds from Operations Per Share - Diluted	 \$0.61	 \$0.56
Weighted average shares and OP units outstanding		
Basic	20,786,348	17,717,452
Diluted	20,827,759	17,763,979

The following table provides a reconciliation of AFFO and net income for the three months ended March 31, 2016 and 2015:

	Three Months Ended	
	March 31, 2016	March 31, 2015
Reconciliation of Adjusted Funds from Operations to Net Income		
Net income	\$7,586,325	\$ 6,494,181
Cumulative adjustments to calculate FFO	5,069,920	3,458,478
Funds from Operations	\$12,656,245	\$ 9,952,659
Straight-line accrued rent	(648,906 )	(597,927 )
Deferred revenue recognition	(115,845 )	(115,845 )
Stock based compensation expense	708,030	523,955
Amortization of financing costs	117,600	109,421
Non-real estate depreciation	15,330	15,996
Loss on debt extinguishment	-	179,867
Adjusted Funds from Operations	\$12,732,454	\$ 10,068,126
Additional supplemental disclosure		
Scheduled principal repayments	\$720,179	\$ 676,829
Capitalized interest	\$7,269	\$ 1,001
Capitalized building improvements	\$-	\$ -



**ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

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

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal payments and the weighted average interest rates on outstanding debt, by year of expected maturity, to evaluate the expected cash flows and sensitivity to interest rate changes.

(\$ in thousands)

	2016	2017	2018	2019	2020	Thereafter	Total
Mortgage Notes Payable	\$2,234	\$22,455	\$27,576	\$2,751	\$3,867	\$33,401	\$92,284
Average Interest Rate	5.91 %	7.38 %	2.87 %	6.59 %	6.21 %	4.21 %	
Unsecured Revolving Credit Facility	\$-	\$-	\$60,000	\$-	\$-	\$-	\$60,000
Average Interest Rate			1.82 %				
Unsecured Term Loans	\$-	\$-	\$-	\$-	\$35,000	\$65,000	\$100,000
Average Interest Rate					3.85 %	3.74 %	
Senior Unsecured Notes	\$-	\$-	\$-	\$-	\$-	\$100,000	\$100,000
Average Interest Rate						4.21 %	

The fair value (in thousands) is estimated at \$94,526, \$100,009 and \$99,685 for mortgage notes payable, unsecured term loans and senior unsecured notes, respectively, as of March 31, 2016.

The table above incorporates those exposures that exist as of March 31, 2016; it does not consider those exposures or positions which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period and interest rates.

We seek to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose

us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under GAAP guidance.

In April 2012, we entered into a forward starting interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$22.3 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 1.92%. This swap effectively converted \$22.3 million of variable-rate borrowings to fixed-rate borrowings from July 1, 2013 to May 1, 2019. As of March 31, 2016, this interest rate swap was valued as a liability of \$687,954.

In December 2012, we entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$25.0 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 0.89%. This swap effectively converted \$25.0 million of variable-rate borrowings to fixed-rate borrowings from December 6, 2012 to April 4, 2018. As of March 31, 2016, this interest rate swap was valued as a liability of \$100,240.

In September 2013, we entered into an interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on \$35.0 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 2.20%. This swap effectively converted \$35.0 million of variable-rate borrowings to fixed-rate borrowings from October 3, 2013 to September 29, 2020. As of March 31, 2016, this interest rate swap was valued as a liability of \$1,901,506.

In July 2014, we entered into interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates on \$65.0 million in variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 2.09%. This swap effectively converted \$65.0 million of variable-rate borrowings to fixed-rate borrowings from July 21, 2014 to July 21, 2021. As of March 31, 2016, this interest rate swap was valued as a liability of \$3.4 million.

We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of March 31, 2016.

As of March 31, 2016, a 100 basis point increase in interest rates on the portion of our debt bearing interest at variable rates would result in an increase in interest expense of approximately \$600,000.

#### **ITEM 4. Controls and Procedures**

##### ***Disclosure Controls and Procedures***

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

##### ***Changes in Internal Control over Financial Reporting***

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

#### **PART II Other Information**

##### **Item 1. Legal Proceedings**

We are not presently involved in any litigation nor, to our knowledge, is any other litigation threatened against us, except for routine litigation arising in the ordinary course of business which is expected to be covered by our liability insurance.

**Item 1A. Risk Factors**

There have been no material changes from our risk factors set forth under Item 1A of Part 1 of our most recently filed Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

\*31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Joel N. Agree, Chief Executive Officer

\*31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Matthew M. Partridge, Chief Financial Officer

\*32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Joel N. Agree, Chief Executive Officer

\*32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Matthew M. Partridge, Chief Financial Officer

The following materials from Agree Realty Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance  
\*101 Sheets, (ii) the Consolidated Statements of Income and Comprehensive Income, (iii) the Consolidated Statement of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these consolidated financial statements.

\* Filed herewith.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **Agree Realty Corporation**

/s/ JOEL N. AGREE

Joel N. Agree

President and Chief Executive Officer

/s/ MATTHEW M. PARTRIDGE

Matthew M. Partridge

Chief Financial Officer

Date: April 27, 2016