
**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, 2017

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: 333-200594

Industrial Logistics Realty Trust Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

61-1577639
(I.R.S. Employer
Identification No.)

518 Seventeenth Street, 17th Floor
Denver, CO
(Address of principal executive offices)

80202
(Zip code)

(303) 228-2200

(Registrant's telephone number, including area code)

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 (§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 No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 2, 2017, there were 257,805 shares of the registrant's common stock outstanding.

INDUSTRIAL LOGISTICS REALTY TRUST INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**INDUSTRIAL LOGISTICS REALTY TRUST INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of	
	March 31, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$1,637,651	\$1,639,961
Restricted cash	481,410	481,410
Prepaid expenses	189,733	259,717
Due from affiliates	318,125	148,810
Total assets	\$2,626,919	\$2,529,898
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 159,195	\$ 100,914
Notes payable to stockholders, net	315,724	303,376
Due to affiliates	865	—
Dividends payable	42,559	11,121
Total liabilities	518,343	415,411
Commitments and contingencies (Note 5)		
Equity		
Stockholders' equity:		
Preferred stock, \$0.01 par value—200,000,000 shares authorized, none issued and outstanding	—	—
Class A common stock, \$0.01 par value per share—225,000,000 shares authorized, 248,748 and 248,349 shares issued and outstanding, respectively	2,487	2,483
Class T common stock, \$0.01 par value per share—1,200,000,000 shares authorized, 7,000 and 7,000 shares issued and outstanding, respectively	70	70
Class W common stock, \$0.01 par value per share—75,000,000 shares authorized, none issued and outstanding	—	—
Additional paid-in capital	2,300,953	2,297,353
Accumulated deficit	(195,934)	(186,419)
Total stockholders' equity	2,107,576	2,113,487
Noncontrolling interests	1,000	1,000
Total equity	2,108,576	2,114,487
Total liabilities and equity	\$2,626,919	\$2,529,898

See accompanying Notes to Condensed Consolidated Financial Statements.

INDUSTRIAL LOGISTICS REALTY TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31,	
	2017	2016
Revenues:		
Rental revenues	\$ —	\$ —
Total revenues	—	—
Operating expenses:		
General and administrative expenses	251,856	—
Organization expenses, related party	72	—
Total operating expenses	251,928	—
Operating loss	(251,928)	—
Other expenses		
Interest expense and other	33,224	—
Total other expenses	33,224	—
Total expenses before expense support	285,152	—
Total expense support from the Advisor	318,196	—
Net expenses after expense support	(33,044)	—
Net income	33,044	—
Net income attributable to noncontrolling interests	—	—
Net income attributable to common stockholders	\$ 33,044	\$ —
Weighted-average shares outstanding	255,726	20,000
Net income per common share—basic and diluted	\$ 0.13	\$ —

See accompanying Notes to Condensed Consolidated Financial Statements.

INDUSTRIAL LOGISTICS REALTY TRUST INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

	<u>Stockholders' Equity</u>					<u>Total Equity</u>
	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interests</u>	
	<u>Shares</u>	<u>Amount</u>				
Balance as of December 31, 2016 . .	255,349	\$2,553	\$2,297,353	\$(186,419)	\$1,000	\$2,114,487
Net income	—	—	—	33,044	—	33,044
Issuance of common stock	399	4	3,600	—	—	3,604
Dividends to stockholders	—	—	—	(42,559)	—	(42,559)
Balance as of March 31, 2017	<u>255,748</u>	<u>\$2,557</u>	<u>\$2,300,953</u>	<u>\$(195,934)</u>	<u>\$1,000</u>	<u>\$2,108,576</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

INDUSTRIAL LOGISTICS REALTY TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2017	2016
Operating activities:		
Net income	\$ 33,044	\$ —
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of financing costs	12,348	—
Changes in operating assets and liabilities:		
Prepaid expenses	69,984	—
Accounts payable and accrued liabilities	58,281	—
Due from affiliates	(168,450)	—
Net cash provided by operating activities	5,207	—
Financing activities:		
Distributions paid to common stockholders	(7,517)	—
Net cash used in financing activities	(7,517)	—
Net decrease in cash and cash equivalents	(2,310)	—
Cash and cash equivalents, at beginning of period	1,639,961	201,000
Cash and cash equivalents, at end of period	\$1,637,651	\$201,000
Supplemental disclosure of non-cash investing and financing activities:		
Dividends payable	\$ 42,559	\$ —
Distributions reinvested in common stock	3,604	—

See accompanying Notes to Condensed Consolidated Financial Statements.

INDUSTRIAL LOGISTICS REALTY TRUST INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

Unless the context otherwise requires, the “Company” refers to Industrial Logistics Realty Trust Inc. and its consolidated subsidiary.

The accompanying unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain disclosures normally included in the annual audited financial statements prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) have been omitted. As such, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 15, 2017 (“2016 Form 10-K”).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments and eliminations, consisting only of normal recurring adjustments necessary for a fair presentation in conformity with GAAP.

2. STOCKHOLDERS’ EQUITY

Initial Public Offering

On November 25, 2014, the Company filed a registration statement with the SEC on Form S-11 in connection with its initial public offering of up to \$2,000,000,000 in shares of common stock (the “Initial Public Offering”). The registration statement was subsequently declared effective on February 18, 2016.

On July 1, 2016, the Company filed a post-effective amendment to its registration statement that reclassified the Company’s common stock offered pursuant to its registration statement into Class A shares, Class T shares and Class W shares. The SEC declared the post-effective amendment effective on August 8, 2016. Pursuant to its registration statement, as amended, the Company is offering for sale up to \$1,500,000,000 in shares of common stock in the primary offering in any combination of Class A shares, Class T shares and Class W shares at a price of \$10.00 per Class A share, \$9.4180 per Class T share and \$9.0355 per Class W share, and up to \$500,000,000 in shares under the Company’s distribution reinvestment plan at a price of \$9.0355 per share for all classes. The Class A shares, Class T shares and Class W shares have identical rights and privileges, including identical voting rights, but have differing fees that are payable on a class-specific basis, as described in “Note 4.” The per share amount of distributions paid on Class T shares and Class W shares will be lower than the per share amount of distributions paid on Class A shares because of the distribution fees payable with respect to Class T shares and Class W shares sold in the primary offering. The Company’s shares of common stock consist of Class A shares, Class T shares and Class W shares, all of which are collectively referred to herein as shares of common stock.

The Company is offering to sell its common stock in any combination of Class A shares, Class T shares and Class W shares with a dollar value up to the maximum offering amount. The Company has the right to reallocate the shares of common stock offered between the Company’s primary offering and the Company’s distribution reinvestment plan. Dividend Capital Securities LLC (the “Dealer Manager”), a related party, provides dealer manager services in connection with the Initial Public Offering. The Initial Public Offering is a best efforts offering, which means that the Dealer Manager is not required to sell any specific number or dollar amount of shares of common stock in the Initial Public Offering, but will use its best efforts to sell the shares of common stock. The Initial Public Offering is a continuous offering that will end no later than two years after the effective date of the Initial Public Offering, or February 18, 2018, unless extended by the Company’s board of directors in accordance with federal securities laws.

Summary of the Public and Private Offerings

A summary of the Company's Initial Public Offering (including shares sold through the primary offering and distribution reinvestment plan ("DRIP")) and its private offering, as of March 31, 2017, is as follows:

	<u>Class A</u>	<u>Class T</u>	<u>Class W</u>	<u>Notes to Stockholders (1)</u>	<u>Total</u>
Amount of gross proceeds raised:					
Primary offering (2)	\$2,000,000	\$ —	\$—	\$ —	\$2,000,000
DRIP (2)	3,604	—	—	—	3,604
Private offering	62,300	62,300	—	375,400	500,000
Total offering	<u>\$2,065,904</u>	<u>\$62,300</u>	<u>\$—</u>	<u>\$375,400</u>	<u>\$2,503,604</u>
Number of shares sold:					
Primary offering	221,349	—	—	—	221,349
DRIP	399	—	—	—	399
Private offering	7,000	7,000	—	—	14,000
Total offering	<u>228,748</u>	<u>7,000</u>	<u>—</u>	<u>—</u>	<u>235,748</u>

- (1) Amount relates to notes payable issued to certain stockholders in the private offering.
- (2) Subscriptions from Ohio residents will not be released from escrow until subscriptions for shares totaling at least \$7,000,000 have been received from all sources, subscriptions from Pennsylvania residents will not be released from escrow until subscriptions for shares totaling at least \$75,000,000 have been received from all sources and subscriptions from Washington residents will not be released from escrow until subscriptions for shares totaling at least \$10,000,000 have been received from all sources.

As of March 31, 2017, \$1,997,996,396 in shares of common stock remained available for sale pursuant to the Initial Public Offering in any combination of Class A shares, Class T shares and Class W shares, including \$499,996,396 in shares of common stock available for sale through the Company's distribution reinvestment plan, which may be reallocated for sale in the primary offering.

Common Stock

The following table summarizes the changes in the shares outstanding and the aggregate par value of the outstanding shares for each class of common stock for the periods presented below:

	<u>Class A</u>		<u>Class T</u>		<u>Class W</u>		<u>Total</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Balance as of December 31, 2016 ...	248,349	\$2,483	7,000	\$ 70	—	\$—	255,349	\$2,553
Issuance of common stock:								
DRIP	399	4	—	—	—	—	399	4
Balance as of March 31, 2017	<u>248,748</u>	<u>\$2,487</u>	<u>7,000</u>	<u>\$ 70</u>	<u>—</u>	<u>\$—</u>	<u>255,748</u>	<u>\$2,557</u>

Dividends

The Company intends to accrue and make cash distributions on a quarterly basis. In addition to the cash distributions, our board of directors authorized special daily stock dividends to all common stockholders of record as of the close of business on each day for the first, second and third quarters of 2017 in an amount equal to 0.0000410959 of a share of common stock on each outstanding share of common stock. The special stock dividends attributable to a particular class of shares of our common stock will be issued as additional shares of the same class of common stock. The special stock dividends will be issued and recorded in our stockholder

records on or about the first business day of the calendar month immediately following the last day of the applicable calendar quarter. Quarterly cash distributions and stock dividends for each stockholder will be calculated for each day the stockholder has been a stockholder of record during such quarter. Cash distributions for stockholders who have elected to participate in the Company’s distribution reinvestment plan will be reinvested into shares of the same class of the Company’s common stock as the shares to which the distributions relate. The Company refers to cash distributions and stock dividends collectively as dividends.

Cash Distributions. The following table summarizes the Company’s cash distribution activity (including distributions reinvested in shares of the Company’s common stock):

	<u>Payment Date</u>	<u>Amount</u>				
		<u>Declared per Common Share (1)</u>	<u>Paid in Cash</u>	<u>Reinvested in Shares</u>	<u>Distribution Fees (2)</u>	<u>Gross Distributions (3)</u>
2017						
March 31	April 2017	\$0.12950	\$23,101	\$10,015	\$—	\$33,116
2016						
December 31 (4)	January 2017	\$0.12950	\$ 7,517	\$ 3,604	\$—	\$11,121

- (1) Amounts reflect the quarterly distribution rate authorized by the Company’s board of directors per Class A share, per Class T share and per Class W share of common stock. The quarterly distributions on Class T shares and Class W shares of common stock are reduced by the respective distribution fees that are payable monthly with respect to such Class T shares and Class W shares (as calculated on a daily basis).
- (2) Distribution fees are paid monthly to the Dealer Manager with respect to Class T shares and Class W shares issued in the primary portion of the Initial Public Offering only. Refer to “Note 4” for further detail regarding distribution fees. Since no Class T shares nor Class W shares have been issued in connection with the Initial Public Offering, no distribution fees have been incurred as of March 31, 2017.
- (3) Gross distributions are total distributions before the deduction of distribution fees relating to Class T shares and Class W shares.
- (4) Cash distributions were authorized to all common stockholders of record as of the close of business on each day commencing on the date that the minimum offering requirements were met in connection with the Initial Public Offering and ending on the last day of the quarter in which the minimum offering requirements were met (the “Initial Quarter”). The Company met the minimum offering requirements in connection with the Initial Public Offering on November 30, 2016. Accordingly, the Initial Quarter commenced on that date and ended on December 31, 2016.

Stock Dividends. For the first quarter of 2017, the Company authorized 946 shares representing \$9,443 of stock dividends. The shares were issued in April 2017.

Redemptions

As of March 31, 2017, the Company had not redeemed any shares of its common stock and had not received any requests for redemptions.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates fair value of its financial instruments using available market information and valuation methodologies it believes to be appropriate for these purposes. As of March 31, 2017 and December 31, 2016, the fair values of cash and cash equivalents, restricted cash, due from/to affiliates, accounts payable and accrued liabilities, and dividends payable approximate their carrying values due to the short-term nature of these instruments.

The Company’s financial instrument for which it is practicable to estimate fair value is the notes payable to certain stockholders in the private offering. The carrying value and fair value of the notes payable were both

\$375,400 as of March 31, 2017 and both \$375,400 as of December 31, 2016. The fair value of the notes payable is estimated based on the Company's estimate of current market interest rates over a comparable term for similar instruments. The notes payable are classified as Level 3 due to the unobservable nature of the inputs.

4. RELATED PARTY TRANSACTIONS

The Company relies on ILT Advisors LLC (the "Advisor"), a related party, to manage the Company's day-to-day operating and acquisition activities and to implement the Company's investment strategy pursuant to the terms of the third amended and restated advisory agreement, dated February 9, 2017, (the "Advisory Agreement"), by and among the Company, the ILT Operating Partnership LP (the "Operating Partnership") and the Advisor. The current term of the Advisory Agreement ends February 9, 2018, subject to renewals by the Company's board of directors for an unlimited number of successive one-year periods. The Dealer Manager provides dealer manager services in connection with the Initial Public Offering pursuant to the terms of the amended and restated dealer manager agreement, dated as of July 1, 2016, by and among the Company, the Advisor and the Dealer Manager. Dividend Capital Property Management LLC (the "Property Manager") may perform certain property management services on behalf of the Company and the Operating Partnership. ILT Advisors Group LLC, the sponsor of the Company (the "Sponsor"), which owns the Advisor, is presently directly or indirectly majority owned by John A. Blumberg, James R. Mulvihill and Evan H. Zucker and/or their affiliates and the Sponsor and the Advisor are jointly controlled by Messrs. Blumberg, Mulvihill and Zucker and/or their affiliates. The Dealer Manager and the Property Manager are presently each directly or indirectly majority owned, controlled and/or managed by Messrs. Blumberg, Mulvihill and/or Zucker and/or their affiliates. Mr. Zucker is the Chairman of our board of directors. The Advisor, the Dealer Manager and the Property Manager receive compensation in the form of fees and expense reimbursements for services relating to the Initial Public Offering and for the investment and management of the Company's assets. A description of these fees is included in the 2016 Form 10-K. Other than as set forth below, the Company has not incurred any of these fees and expenses as of March 31, 2017.

Organization and Offering Expenses. The Company reimburses the Advisor or its affiliates for cumulative organization expenses and for cumulative expenses of its public offerings. Pursuant to the Advisory Agreement, the Company has capped the amount that it reimburses the Advisor and its affiliates for the Company's cumulative organization expenses and the expenses of its public offerings at 2.0% of aggregate gross offering proceeds from the sale of shares in its public offerings, including from shares issued pursuant to its distribution reinvestment plan. Although the reimbursement is subject to this 2.0% cap, the Company currently estimates that the maximum reimbursement to be paid to the Advisor and its affiliates for such organization and offering expenses will be equal to approximately 1.5% of gross offering proceeds from its current public offering.

The Advisor or an affiliate of the Advisor is responsible for the payment of the Company's cumulative organization expenses and offering expenses to the extent that such cumulative expenses exceed the 2.0% organization and offering expense reimbursement for the Company's public offerings. Organization and offering expenses are accrued by the Company only to the extent that the Company is successful in raising gross offering proceeds from its public offering. If the Company is not successful in raising additional offering proceeds, no additional amounts will be payable by the Company to the Advisor for reimbursement of cumulative organization and offering expenses. Organization costs are expensed in the period they become reimbursable and offering costs are recorded as a reduction of gross offering proceeds in additional paid-in capital.

As of March 31, 2017, the Advisor had incurred \$3,546,005 of offering costs and \$117,864 of organization costs, all of which were paid directly by the Advisor on behalf of the Company. As of March 31, 2017, the Company had reimbursed the Advisor \$40,072 related to organization costs.

Expense Support Agreement

On October 27, 2016, the Company entered into an Expense Support Agreement (the "Expense Support Agreement") with the Operating Partnership and the Advisor. Pursuant to the Expense Support Agreement,

effective for each quarter commencing October 1, 2016 and ending September 30, 2019, the Advisor has agreed to defer payment of all or a portion of the asset management fees otherwise payable to it pursuant to the Advisory Agreement, if Company-defined funds from operations (“CDFFO” or “Company-defined FFO”), as disclosed in the Company’s quarterly and annual reports, for a particular quarter is less than the aggregate gross cash distributions declared for such quarter, assuming all such cash distributions had been declared at the quarterly distribution rate for Class A shares authorized by the Company’s board of directors for such quarter (“Baseline Distributions”). The amount of the asset management fees that will be deferred for a particular quarter, if any, will equal the lesser of (i) the difference between CDFFO and Baseline Distributions for such quarter and (ii) the entire asset management fees payable to the Advisor pursuant to the Advisory Agreement for such quarter.

In addition, if in a given calendar quarter, the Company’s CDFFO is less than Baseline Distributions for such quarter, and the deferred asset management fee is not sufficient to satisfy the shortfall for such quarter (a “Deficiency”), the Advisor will be required to fund certain expenses of the Company or the Operating Partnership in an amount equal to such Deficiency. In no event will the aggregate of the deferred asset management fees and the Deficiency support payments exceed \$30,000,000 (the “Maximum Amount”).

Subject to certain conditions, the Advisor is entitled to reimbursement from the Company for any asset management fees that are deferred and any expense support payments that the Advisor makes pursuant to the Expense Support Agreement; provided, that, the Company will not be obligated to reimburse the Advisor for any amount not reimbursed by the Company to the Advisor within three years after the quarter in which such reimbursable amount originated. For any quarter in which CDFFO exceeds Baseline Distributions for that quarter, the Expense Support Agreement requires that the Company reimburse the Advisor in an amount equal to the lesser of (i) the difference between CDFFO and Baseline Distributions and (ii) the sum of all outstanding reimbursable amounts. The Company’s obligation to reimburse the Advisor will be non-interest bearing.

During the term of the Expense Support Agreement, the Company may be able to use cash flow from operations to pay distributions to its stockholders that would otherwise be used to pay asset management fees or expenses. Although the Expense Support Agreement has an effective term through September 30, 2019, the Expense Support Agreement may be terminated prior thereto without cause or penalty by a majority of the Company’s independent directors upon 30 days’ prior written notice to the Advisor. In addition, the Advisor’s obligations under the Expense Support Agreement will immediately terminate upon the earlier to occur of (i) the termination or non-renewal of the Amended and Restated Advisory Agreement, (ii) the delivery by the Company of notice to the Advisor of the Company’s intention to terminate or not renew the Advisory Agreement, (iii) the Company’s completion of a liquidity event or (iv) the time the Advisor has deferred, waived or paid the Maximum Amount. Except with respect to the early termination events described above, any obligation of the Advisor to make payments under the Expense Support Agreement with respect to the calendar quarter ending September 30, 2019 will remain operative and in full force and effect through the end of such quarter.

When the Expense Support Agreement terminates, the Advisor will not have an obligation to defer fees or support expenses in order to support the Company’s cash distributions. Notwithstanding the foregoing, amounts deferred or reimbursed pursuant to the Expense Support Agreement shall survive any termination or expiration and remain subject to the reimbursement terms described above without modification or acceleration.

The table below provides information regarding the asset management fees deferred and expense support provided by the Advisor, pursuant to the Expense Support Agreement. As of March 31, 2017, the aggregate

amount paid by the Advisor pursuant to the Expense Support Agreement was \$467,695. No amounts had been reimbursed to the Advisor by the Company.

	For the Three Months Ended March 31,	
	2017	2016
Asset management fees deferred	\$ —	\$—
Other expenses supported	318,196	—
Total expense support from Advisor (1)	<u>\$318,196</u>	<u>\$—</u>

(1) As of March 31, 2017, \$318,196 of expense support was payable to the Company by the Advisor.

5. COMMITMENTS AND CONTINGENCIES

The Company and the Operating Partnership are not presently involved in any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company.

6. SUBSEQUENT EVENTS

Status of the Public and Private Offerings

A summary of the Company's Initial Public Offering (including shares sold through the primary offering and distribution reinvestment plan) and its private offering, as of May 2, 2017, is as follows:

	<u>Class A</u>	<u>Class T</u>	<u>Class W</u>	<u>Notes to Stockholders (1)</u>	<u>Total</u>
Amount of gross proceeds raised:					
Primary offering (2)	\$2,000,000	\$ —	\$—	\$ —	\$2,000,000
DRIP (2)	13,644	—	—	—	13,644
Private offering	62,300	62,300	—	375,400	500,000
Total offering	<u>\$2,075,944</u>	<u>\$62,300</u>	<u>\$—</u>	<u>\$375,400</u>	<u>\$2,513,644</u>
Number of shares sold:					
Primary offering	221,349	—	—	—	221,349
DRIP	1,510	—	—	—	1,510
Private offering	7,000	7,000	—	—	14,000
Stock dividends	920	26	—	—	946
Total offering	<u>230,779</u>	<u>7,026</u>	<u>—</u>	<u>—</u>	<u>237,805</u>

(1) Amount relates to notes payable issued to certain stockholders in the private offering.

(2) Subscriptions from Ohio residents will not be released from escrow until subscriptions for shares totaling at least \$7,000,000 have been received from all sources, subscriptions from Pennsylvania residents will not be released from escrow until subscriptions for shares totaling at least \$75,000,000 have been received from all sources and subscriptions from Washington residents will not be released from escrow until subscriptions for shares totaling at least \$10,000,000 have been received from all sources.

As of May 2, 2017, \$1,997,986,356 in shares of the Company's common stock remained available for sale pursuant to the Initial Public Offering in any combination of Class A shares, Class T shares or Class W shares, including \$499,986,356 in shares of common stock available for sale through the Company's distribution reinvestment plan, which may be reallocated for sale in the primary offering.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References to the terms “we,” “our,” or “us” refer to Industrial Logistics Realty Trust Inc. and its consolidated subsidiary. The following discussion and analysis should be read together with our unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes certain statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements relate to, without limitation, our ability to raise capital and effectively and timely deploy the net proceeds of the Initial Public Offering, the expected use of proceeds from the Initial Public Offering, our reliance on the Advisor and the Sponsor, our understanding of our competition and our ability to compete effectively, our financing needs, our expected leverage, the effects of our current strategies, rent and occupancy growth, general conditions in the geographic area where we will operate, our future debt and financial position, our future capital expenditures, future distributions and acquisitions (including the amount and nature thereof), other developments and trends of the real estate industry and the expansion and growth of our operations. Forward-looking statements are generally identifiable by the use of the words “may,” “will,” “should,” “expect,” “could,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “continue,” “project,” or the negative of these words or other comparable terminology. These statements are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions, and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- Our ability to raise capital and effectively deploy the proceeds raised in the Initial Public Offering in accordance with our investment strategy and objectives;
- The failure of properties to perform as we expect;
- Risks associated with acquisitions, dispositions and development of properties;
- Our failure to successfully integrate acquired properties and operations;
- Unexpected delays or increased costs associated with any development projects;
- The availability of cash flows from operating activities for distributions and capital expenditures;
- Defaults on or non-renewal of leases by customers, lease renewals at lower than expected rent, or failure to lease properties at all or on favorable rents and terms;
- Difficulties in economic conditions generally and the real estate, debt, and securities markets specifically;
- Legislative or regulatory changes, including changes to the laws governing the taxation of real estate investment trusts (“REITs”);
- Our failure to obtain, renew, or extend necessary financing or access the debt or equity markets;

- Conflicts of interest arising out of our relationships with the Sponsor, the Advisor, and their affiliates;
- Risks associated with using debt to fund our business activities, including re-financing and interest rate risks;
- Increases in interest rates, operating costs, or greater than expected capital expenditures;
- Changes to GAAP; and
- Our ability to continue to qualify as a REIT.

Any of the assumptions underlying forward-looking statements could prove to be inaccurate. Our stockholders are cautioned not to place undue reliance on any forward-looking statements included in this Quarterly Report on Form 10-Q. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and the risk that actual results will differ materially from the expectations expressed in this Quarterly Report on Form 10-Q will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future events, changed circumstances, or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this Quarterly Report on Form 10-Q, including, without limitation, the risks described under “Risk Factors,” the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Quarterly Report on Form 10-Q will be achieved.

OVERVIEW

General

Industrial Logistics Realty Trust Inc. is a Maryland corporation formed on August 12, 2014 to make investments in income-producing real estate assets consisting primarily of high-quality distribution warehouses and other industrial properties that are leased to creditworthy corporate customers. We currently operate as a REIT for U.S. federal income tax purposes, and will elect to be treated as such beginning with our taxable year ended December 31, 2016. We utilize an Umbrella Partnership Real Estate Investment Trust (“UPREIT”) organizational structure to hold all or substantially all of our assets through the Operating Partnership.

On November 25, 2014, we filed the registration statement for the Initial Public Offering. The registration statement was subsequently declared effective by the SEC on February 18, 2016. On July 1, 2016, we filed a post-effective amendment to our registration statement that reclassified our common stock offered pursuant to our registration statement into Class A shares, Class T shares and Class W shares. The SEC declared the post-effective amendment effective on August 8, 2016. Pursuant to our registration statement as amended, we are offering for sale up to \$1,500,000,000 in shares of common stock in any combination of Class A shares, Class T shares and Class W shares at a price of \$10.00 per Class A share, \$9.4180 per Class T share and \$9.0355 per Class W share, and up to \$500,000,000 in shares under our distribution reinvestment plan in any combination of Class A shares, Class T shares and Class W shares at a price of \$9.0355 per share. The net per share amount of distributions on Class T shares and Class W shares will be lower than the per share amount of distributions on Class A shares because of the distribution fees payable with respect to Class T shares and Class W shares sold in the primary offering. Our shares of common stock consist of Class A shares, Class T shares and Class W shares, all of which are collectively referred to herein as shares of common stock.

On November 30, 2016, we received an aggregate of \$2,000,000 in subscriptions for shares of our common stock from certain of our officers and officers of the Advisor and its affiliates, directly or indirectly. Accordingly, the offering proceeds received from stockholders were released from escrow on November 30, 2016, with respect to all states other than the states of Ohio, Pennsylvania and Washington. Subscriptions from Ohio residents will not be released from escrow until subscriptions for shares totaling at least \$7,000,000 have been received from all sources, subscriptions from Pennsylvania residents will not be released from escrow until subscriptions for shares

totaling at least \$75,000,000 have been received from all sources and subscriptions from Washington residents will not be released from escrow until subscriptions for shares totaling at least \$10,000,000 have been received from all sources.

In addition, on December 1, 2016, we raised an aggregate amount of \$500,000 in a private offering. The private offering included the issuance to each of 125 separate investors, 56 Class A shares of common stock and 56 Class T shares of common stock. The purchase price for all shares was \$8.90 per share. In the aggregate, we issued 7,000 Class A shares and 7,000 Class T shares for \$124,600 in the private offering. We issued these shares of common stock in a private transaction exempt from the registration requirements pursuant to the Securities Act and Rule 506 promulgated thereunder. The private offering also included the issuance of 125 notes payable in the principal amount of approximately \$3,003 per note.

As of March 31, 2017, we had raised gross proceeds of \$2,503,604 from the sale of 235,748 shares of our common stock and the issuance of notes payable in the public and private offerings. See “Note 2 to the Condensed Consolidated Financial Statements” for information concerning the public and private offerings.

As of the date of the filing of this Quarterly Report on Form 10-Q, we had not acquired any properties nor have we entered into any arrangements to acquire any property or to make or invest in any loan, or to make any other permitted investments. We intend to use the net proceeds from the offerings primarily to make investments in real estate assets. We may use the net proceeds from the offerings to make other real estate-related investments and debt investments and to pay distributions. The number and type of properties we may acquire and debt and other investments we may make will depend upon real estate market conditions, the amount of proceeds we raise in the offerings, and other circumstances existing at the time we make our investments.

Our primary investment objectives include the following:

- Preserving and protecting our stockholders’ capital contributions;
- Providing current income to our stockholders in the form of regular cash distributions; and
- Realizing capital appreciation upon the potential sale of our assets or other liquidity events.

There is no assurance that we will attain our investment objectives. Our charter places numerous limitations on us with respect to the manner in which we may invest our funds. In most cases these limitations cannot be changed unless our charter is amended, which may require the approval of our stockholders.

We may acquire assets free and clear of mortgage or other indebtedness by paying the entire purchase price in cash or equity securities, or a combination thereof, and we may selectively encumber all or only certain assets with debt. The proceeds from our borrowings may be used to fund investments, make capital expenditures, pay distributions, and for general corporate purposes.

We expect to manage our financing strategy under the current mortgage lending and corporate financing environment by considering various lending sources, which may include long-term fixed rate mortgage loans, unsecured or secured lines of credit or term loans, private placement or public bond issuances, and the assumption of existing loans in connection with certain property acquisitions, or any combination of the foregoing.

Industrial Real Estate Outlook

Overall, fundamentals for the U.S. industrial real estate sector continue to improve, primarily driven by the continued growth in the U.S. economy. Both U.S. gross domestic product (“GDP”) and consumer spending, including online retailing (or e-commerce), remain positive and we believe will continue growing over the next several quarters. There is a high correlation between these statistics and industrial warehouse demand. Further,

forecasted growth in both employment and population levels is expected to drive consumer spending growth over the longer-term, leading to increased utilization of distribution warehouses. Additionally, the U.S. stock market responded favorably to the outcome of the presidential election and continues to set record highs in 2017 based on expectations that the new president's policies will focus on significant fiscal stimulus, tax reform and deregulation. We expect moderate economic growth in the U.S. to continue throughout 2017, which should continue to drive positive demand for warehouse space as companies expand and upgrade their distribution platforms.

While the U.S. economy has continued to improve, global trade growth has slowed due to structural factors and increased restrictions on international trade, such as tariffs and quotas on imports. Commodity prices have stabilized and may further recover as planned production cuts from the Organization of Petroleum Exporting Countries ("OPEC") may lead oil prices higher. Financial market conditions for developing countries tightened significantly following the U.S. elections as concerns over protectionism decreased currencies and increased bond yields globally. Heightened policy uncertainty in the U.S. and Europe will likely weigh on global trade and capital flows throughout the year.

Despite global uncertainties, the U.S. industrial real estate sector continues to benefit from positive net absorption (the net change in total occupied industrial space) and rent growth in our primary target markets. Rental concessions, such as free rent, remain at historically low levels. Consistent with recent experience and based on current market conditions, we expect average net effective rental rates on new leases signed during 2017 to be higher than the rates on expiring leases.

Technological advancements, shifting consumer preferences, and the resultant supply-chain innovations have supported the growth of e-commerce. The dollar volume of retail goods purchased online continues to grow significantly, averaging a 14.6% annual increase compounded over the past five years, and comprises an increasing proportion of total retail sales. As online sales grow and more retailers adapt to changing consumer preferences and technologies, the need for highly-functional warehouse space near major cities is expected to increase.

The capital markets outlook for commercial real estate is less clear. The recent rise in interest rates and overall global uncertainty has resulted in flatter capitalization rates for industrial real estate over the past several months, which has resulted in slower increases in values and lower transaction volumes than in the prior year. Overall, while there seems to potentially be several years' worth of runway for industrial real estate fundamentals to continue improving, there are uncertainties as to how real estate investors will price industrial real estate investments in a rising interest rate environment.

RESULTS OF OPERATIONS

As of March 31, 2017, we were in our organizational and development stage and had not commenced property operations. For the three months ended March 31, 2017, our results of operations consisted solely of general and administrative expenses incurred related to compensation to our independent directors, and insurance for our independent directors and officers. We had no results of operations for the three months ended March 31, 2016.

Generally, we are prohibited by our charter from incurring total operating expenses which, at the end of the four preceding fiscal quarters exceeds the greater of: (i) 2.0% of our average invested assets, or (ii) 25.0% of our net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of our assets for that period (the "2%/25% Limitation"). Notwithstanding the above, we may incur operating expenses in excess of this limitation if a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. As noted in "Note 4 to the Condensed Consolidated Financial Statements," as of March 31, 2017, the Advisor had not been reimbursed for any operating expenses; however, due to the operating expenses we incurred for the four fiscal quarters ended March 31, 2017, our total operating expenses exceeded the 2%/25%

Limitation. Based upon a review of unusual and non-recurring factors, including but not limited to the fact that we are in the early stages of raising capital and have not made any real estate investments, the majority of our independent directors determined that the excess expenses were justified.

ADDITIONAL MEASURES OF PERFORMANCE

Funds from Operations (“FFO”) and Company-Defined FFO

We believe that FFO and Company-defined FFO, in addition to net loss and cash flows from operating activities as defined by GAAP, are useful supplemental performance measures that our management uses to evaluate our consolidated operating performance. However, these supplemental, non-GAAP measures should not be considered as an alternative to net loss or to cash flows from operating activities as an indication of our performance and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. No single measure can provide users of financial information with sufficient information and only our disclosures read as a whole can be relied upon to adequately portray our financial position, liquidity, and results of operations. Fees deferred or waived by the Advisor and payments received from the Advisor pursuant to the Expense Support Agreement described in “Note 4 to the Condensed Consolidated Financial Statements” are included in determining our net loss, which is used to determine FFO and Company-defined FFO. If we had not received expense support from the Advisor, our FFO and Company-defined FFO would have been lower. In addition, other REITs may define FFO and similar measures differently and choose to treat acquisition-related costs and potentially other accounting line items in a manner different from us due to specific differences in investment and operating strategy or for other reasons.

FFO. As defined by the National Association of Real Estate Investment Trusts (“NAREIT”), FFO is a non-GAAP measure that excludes certain items such as real estate-related depreciation and amortization. We believe FFO is a meaningful supplemental measure of our operating performance that is useful to investors because depreciation and amortization in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. We use FFO as an indication of our consolidated operating performance and as a guide to making decisions about future investments.

Company-defined FFO. Similar to FFO, Company-defined FFO is a non-GAAP measure that excludes real estate-related depreciation and amortization and also excludes organization costs, each of which are characterized as expenses in determining net loss under GAAP. Organization costs are excluded as they are paid in cash and relate to costs paid in conjunction with the organization of the Company.

Management does not include organization costs as those costs are not expected to be incurred now that we have commenced operations. We use Company-defined FFO to, among other things, evaluate potential performance to determine liquidity event strategies. We believe investors are best served if the information that is made available to them allows them to align their analyses and evaluation with the same performance metrics used by management in planning and executing our business strategy. We believe that these performance metrics will assist investors in evaluating the potential performance of the portfolio. However, these supplemental, non-GAAP measures are not necessarily indicative of future performance and should not be considered as an alternative to net loss or to cash flows from operating activities and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs. Neither the SEC, NAREIT, nor any regulatory body has passed judgment on the acceptability of the adjustments used to calculate Company-defined FFO. In the future, the SEC, NAREIT, or a regulatory body may decide to standardize the allowable adjustments across the non-traded REIT industry at which point we may adjust our calculation and characterization of Company-defined FFO.

We did not have any NAREIT-defined adjustments to GAAP net loss, as we do not own any properties. As such, NAREIT FFO equals GAAP net loss for the periods presented in the table below. However, we did have a Company-defined adjustment to GAAP net loss for organization costs. A reconciliation of GAAP net loss to NAREIT FFO to Company-defined FFO is as follows:

	<u>For the Three Months Ended March 31,</u>		<u>For the Period From Inception (August 28, 2014) to March 31, 2017</u>
	<u>2017</u>	<u>2016</u>	
GAAP net income (loss) applicable to common stockholders	\$ 33,044	\$ —	\$(142,254)
GAAP net income (loss) per common share	\$ 0.13	\$ —	\$ (2.68)
Reconciliation of GAAP net income (loss) to NAREIT FFO:			
GAAP net income (loss) applicable to common stockholders	\$ 33,044	\$ —	\$(142,254)
NAREIT FFO applicable to common stockholders	\$ 33,044	\$ —	\$(142,254)
NAREIT FFO per common share	\$ 0.13	\$ —	\$ (2.68)
Reconciliation of NAREIT FFO to Company-defined FFO:			
NAREIT FFO applicable to common stockholders	\$ 33,044	\$ —	\$(142,254)
Add Company-defined adjustments:			
Organization costs	72	—	40,072
Company-defined FFO applicable to common stockholders	\$ 33,116	\$ —	\$(102,182)
Company-defined FFO per common share	\$ 0.13	\$ —	\$ (1.93)
Weighted-average shares outstanding	255,726	20,000	53,021

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary sources of capital for meeting our cash requirements during our acquisition phase are, and will be, net proceeds from the Initial Public Offering, including proceeds from the sale of shares offered through our distribution reinvestment plan, debt financings, and cash generated from operating activities. Our principal uses of funds will be for the acquisition of properties and other investments, capital expenditures, operating expenses, payments under our debt obligations, and distributions to our stockholders. Over time, we intend to fund a majority of our cash needs for items other than asset acquisitions, including the repayment of debt and capital expenditures, from operating cash flows and refinancings. There may be a delay between the deployment of proceeds raised from the Initial Public Offering and our purchase of assets, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investment operations.

The Advisor, subject to the oversight of our board of directors and, under certain circumstances, the investment committee or other committees established by our board of directors, will evaluate potential acquisitions and will engage in negotiations with sellers and lenders on our behalf. Pending investment in property, debt, or other investments, we may decide to temporarily invest any unused proceeds from the Initial Public Offering in certain investments that are expected to yield lower returns than those earned on real estate assets. These lower returns may affect our ability to make distributions to our stockholders. Potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of assets, and undistributed funds from operations.

We believe that our cash on-hand, anticipated net offering proceeds and anticipated financing activities will be sufficient to meet our liquidity needs for the foreseeable future.

Cash Flows. Cash provided by operating activities of \$5,207 for the three months ended March 31, 2017 was primarily a result of expense support provided by the Advisor during the period, which was offset by general, administrative, and organization expenses. Cash used in financing activities of \$7,517 for the three months ended March 31, 2017 was related to the cash distributions we paid to our common stockholders. There was no cash used in or provided by any activities for the three months ended March 31, 2016.

Capital Resources and Uses of Liquidity

In addition to the cash and cash equivalent balance available, our capital resources and uses of liquidity are as follows:

Offering Proceeds. As of March 31, 2017, aggregate gross proceeds raised from the public and private offerings, including proceeds raised through our distribution reinvestment plan, were \$2,503,604 (\$2,478,910 net of direct selling costs). Of this amount, \$481,410 is being held in escrow pursuant to the terms of the private offering.

Cash Distributions. We intend to accrue and make cash distributions on a regular basis. For the three months ended March 31, 2017, 100.0% of our total gross cash distributions were funded from sources other than cash flows from operating activities, as determined on a GAAP basis; specifically 69.8% of our total gross cash distributions were paid from cash provided by expense support from the Advisor, and 30.2% of our total gross cash distributions were funded with proceeds from the issuance of shares pursuant to our distribution reinvestment plan. Some or all of our future cash distributions may be paid from sources other than cash flows from operating activities, such as cash flows from financing activities, which include borrowings (including borrowings secured by our assets), proceeds from the issuance of shares pursuant to our distribution reinvestment plan, proceeds from sales of assets, cash resulting from a waiver or deferral of fees otherwise payable to the Advisor or its affiliates (including cash received pursuant to the Expense Support Agreement as described in “Note 4 to the Condensed Consolidated Financial Statements”), interest income from our cash balances, and the net proceeds from primary shares sold in the Initial Public Offering. We have not established a cap on the amount of our cash distributions that may be paid from any of these sources. The amount of any cash distributions will be determined by our board of directors, and will depend on, among other things, current and projected cash requirements, tax considerations and other factors deemed relevant by our board. For the second quarter of 2017, our board of directors authorized daily cash distributions at a quarterly rate of (i) \$0.1295 per Class A share of common stock and (ii) \$0.1295 per Class T share and per Class W share of common stock, less the respective annual distribution fees that are payable monthly with respect to such Class T shares and Class W shares (calculated on a daily basis). Cash distributions for the second quarter of 2017 payable to common stockholders will be aggregated and paid in cash or reinvested in shares of our common stock for those electing to participate in our distribution reinvestment plan, on a date determined by us that is no later than July 15, 2017.

There can be no assurances that the current distribution rate or amount per share will be maintained. In the near-term, we expect that we may need to continue to rely on expense support from the Advisor and sources other than cash flows from operations, as determined on a GAAP basis, to pay cash distributions, which if insufficient could negatively impact our ability to pay cash distributions. See “Note 4 to the Condensed Consolidated Financial Statements” for further detail regarding the Expense Support Agreement.

The following table outlines sources used, as determined on a GAAP basis, to pay total gross cash distributions (which are paid in cash or reinvested in shares of our common stock through our distribution reinvestment plan) for the quarters ended as of the dates indicated below:

	Source of Cash Distributions								Gross Distributions (3)
	Provided by Expense Support (1)		Provided by Operating Activities		Proceeds from Financing Activities		Proceeds from Issuance of DRIP Shares (2)		
2017									
March 31	\$23,101	69.8%	\$—	— %	\$—	— %	\$10,015	30.2%	\$33,116
2016									
December 31 (4)	\$ 7,517	67.6%	\$—	— %	\$—	— %	\$ 3,604	32.4%	\$11,121

- (1) For the quarters ended March 31, 2017 and December 31, 2016, the Advisor provided expense support of \$318,196 and \$149,499, respectively. See “Note 4 to the Condensed Consolidated Financial Statements” for further details.
- (2) Stockholders may elect to have cash distributions reinvested in shares of our common stock through our distribution reinvestment plan.
- (3) Gross distributions are total distributions before the deduction of distribution fees relating to Class T shares and Class W shares issued in the primary portion of the Initial Public Offering. Since no Class T shares or Class W shares have been issued in connection with the Initial Public Offering, no distribution fees have been incurred as of March 31, 2017.
- (4) The Initial Quarter commenced on November 30, 2016, which is the date we broke escrow, and ended on December 31, 2016.

Refer to “Note 2 to the Condensed Consolidated Financial Statements” for further detail on our cash distributions.

SUBSEQUENT EVENTS

Status of the Public and Private Offerings

A summary of the Initial Public Offering (including shares sold through the primary offering and distribution reinvestment plan) and the private offering, as of May 2, 2017, is as follows:

	Class A	Class T	Class W	Notes to Stockholders (1)	Total
Amount of gross proceeds raised:					
Primary offering (2)	\$2,000,000	\$ —	\$—	\$ —	\$2,000,000
DRIP (2)	13,644	—	—	—	13,644
Private offering	62,300	62,300	—	375,400	500,000
Total offering	<u>\$2,075,944</u>	<u>\$62,300</u>	<u>\$—</u>	<u>\$375,400</u>	<u>\$2,513,644</u>
Number of shares sold:					
Primary offering	221,349	—	—	—	221,349
DRIP	1,510	—	—	—	1,510
Private offering	7,000	7,000	—	—	14,000
Stock dividends	920	26	—	—	946
Total offering	<u>230,779</u>	<u>7,026</u>	<u>—</u>	<u>—</u>	<u>237,805</u>

- (1) Amount relates to notes payable issued to certain stockholders in the private offering.
- (2) Subscriptions from Ohio residents will not be released from escrow until subscriptions for shares totaling at least \$7,000,000 have been received from all sources, subscriptions from Pennsylvania residents will not be released from escrow until subscriptions for shares totaling at least \$75,000,000 have been received from all sources and subscriptions from Washington residents will not be released from escrow until subscriptions for shares totaling at least \$10,000,000 have been received from all sources.

As of May 2, 2017, \$1,997,986,356 in shares of our common stock remained available for sale pursuant to the Initial Public Offering in any combination of Class A shares, Class T shares or Class W shares, including \$499,986,356 in shares of common stock available for sale through our distribution reinvestment plan, which may be reallocated for sale in the primary offering.

CONTRACTUAL OBLIGATIONS

A summary of future obligations as of December 31, 2016 was disclosed in our 2016 Form 10-K. There have been no material changes outside the ordinary course of business from the future obligations disclosed in our 2016 Form 10-K.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2017, we had no off-balance sheet arrangements that have or are reasonably likely to have a material effect, on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

CRITICAL ACCOUNTING ESTIMATES

Our unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and in conjunction with the rules and regulations of the SEC. The preparation of our unaudited condensed consolidated financial statements requires significant management judgments, assumptions, and estimates about matters that are inherently uncertain. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our condensed consolidated financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. As of March 31, 2017, we have no critical accounting estimates. For a detailed description of our critical accounting estimates, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2016 Form 10-K. As of March 31, 2017, our critical accounting estimates have not changed from those described in our 2016 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We may be exposed to the impact of interest rate changes. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows, and optimize overall borrowing costs. To achieve these objectives, we plan to borrow on a fixed interest rate basis for longer-term debt and utilize interest rate swap agreements on certain variable interest rate debt in order to limit the effects of changes in interest rates on our results of operations. As of March 31, 2017, our debt consisted of notes payable to certain stockholders at a fixed interest rate.

Fixed Interest Rate Debt. As of March 31, 2017, our fixed interest rate debt consisted of \$375,400 of notes payable issued pursuant to the private offering. The interest rate on these notes is fixed and therefore the notes are not subject to interest rate fluctuations. Based on our debt as of March 31, 2017, we do not expect that market fluctuations in interest rates will have a significant impact on our future earnings or operating cash flows.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the

Exchange Act) as of March 31, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2017, our disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A, “Risk Factors” of our 2016 Form 10-K, which could materially affect our business, financial condition, and/or future results. The risks described in our 2016 Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

There have been no material changes to the risk factors disclosed in our 2016 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds

On February 18, 2016, our Registration Statement on Form S-11 (File No. 333-200594), pursuant to which we are making the Initial Public Offering of up to \$2,000,000,000 in shares of common stock, was declared effective under the Securities Act, and the Initial Public Offering commenced the same day. The Initial Public Offering will end on February 18, 2018, unless extended by our board of directors in accordance with federal securities laws.

As of March 31, 2017, we had raised offering proceeds from the Initial Public Offering of \$2,003,604 from the sale of Class A shares, including shares issued pursuant to the distribution reinvestment plan. As this amount was deposited and reinvested by certain of our officers and officers of the Advisor and its affiliates, directly or indirectly, there were no selling costs incurred.

As of March 31, 2017, we had reimbursed the Advisor \$40,072 related to organization expenses, and the only offering expenses incurred by us were in connection with the private offering.

As of March 31, 2017, we have not entered into any arrangements to acquire any property or to make or invest in any loan, or to make any other permitted investments.

Share Redemption Program

Subject to certain restrictions and limitations, our share redemption program may provide a limited opportunity for stockholders to have shares of our common stock redeemed for cash. Shares of common stock must be held for a minimum of 18 months, subject to certain exceptions described below. We are not obligated to redeem shares of our common stock under the share redemption program.

Until our board of directors determines an estimated net asset value (“NAV”) per share, as disclosed from time to time in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and/or our Current Reports on Form 8-K filed with the SEC, the redemption price for each class of shares of our common stock shall be equal to the then-current “net investment value” of the shares. For each class of shares of our common stock, this amount will equal the current offering price of the shares, less the associated sales commission, dealer manager fee and estimated organization and offering expense reimbursement. Initially, the “net investment value” for each class of shares will be \$8.90 per share, but this amount is subject to change. As noted above, we will disclose an estimated NAV per share no later than April 29, 2019, although we may determine to provide an estimated NAV per share earlier. After our board of directors determines an estimated NAV per share, the redemption price for each class of shares shall be equal to the most recently disclosed an estimated NAV per share. If the “net investment value” changes or our board of directors determines an estimated NAV per share, then we will provide stockholders 30 days’ prior written notice of the change to the redemption price, which we will provide by filing a Current Report on Form 8-K with the Commission. During the Initial Public Offering, we will also

include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under the federal securities laws. Therefore, a stockholder may not have the opportunity to have shares redeemed prior to the effective date of a change in the redemption price. In addition, if the redemption price changes between the date on which a redemption request is submitted and the date on which shares are redeemed for that quarter, shares will be redeemed at the new redemption price, unless a redemption request is withdrawn by submitting a request in writing that is received by us at any time up to three business days prior to the end of that quarter.

In the event that a stockholder seeks to redeem all of his or her shares of our common stock, shares of our common stock purchased pursuant to our distribution reinvestment plan or received from us as a stock dividend may be excluded from the foregoing 18-month holding period requirement, in the discretion of our board of directors. If a stockholder has made more than one purchase of our common stock (other than through our distribution reinvestment plan), the 18-month holding period will be calculated separately with respect to each such purchase. For purposes of calculating the 18-month holding period, holders of Class T shares that are converted to Class A shares pursuant to the terms of our charter shall be deemed to have owned their Class A shares as of the date they were issued the applicable Class T shares that were converted into such Class A shares. In addition, for purposes of the 18-month holding period, holders of OP Units who exchange their OP Units for shares of our common stock shall be deemed to have owned their shares as of the date they were issued their OP Units. Neither the 18-month holding period nor the Redemption Caps (as defined in the share redemption program) will apply in the event of the death of a stockholder; provided, however, that any such redemption request with respect to the death of a stockholder must be submitted to us within 18 months after the date of death, as further described in the share redemption program. Our board of directors reserves the right in its sole discretion at any time and from time to time to (a) waive the 18-month holding period and either of the Redemption Caps (defined below) in the event of the disability (as such term is defined in Section 72(m)(7) of the Internal Revenue Code) of a stockholder, (b) reject any request for redemption for any reason, or (c) reduce the number of shares of our common stock allowed to be redeemed under the share redemption program. A stockholder's request for redemption in reliance on any of the waivers that may be granted in the event of the disability of the stockholder must be submitted within 18 months of the initial determination of the stockholder's disability, as further described in the share redemption program. Furthermore, any shares redeemed in excess of the Quarterly Redemption Cap (defined below) as a result of the death or disability of a stockholder will be included in calculating the following quarter's redemption limitations. At any time we are engaged in a public offering, the per share price of a class of shares of our common stock redeemed under our share redemption program will never be greater than the then-current offering price of shares of such class of common stock sold in the primary offering. If we are engaged in a public offering and the redemption price calculated in accordance with the terms of the share redemption program would result in a price that is higher than the then-current public offering price of such class of common stock, then the redemption price will be reduced and will be equal to the then-current public offering price of such class of common stock.

We presently intend to limit the number of shares to be redeemed during any calendar quarter to the "Quarterly Redemption Cap" which will equal the lesser of: (i) one-quarter of five percent of the number of shares of common stock outstanding as of the date that is 12 months prior to the end of the current quarter, and (ii) the aggregate number of shares sold pursuant to our distribution reinvestment plan in the immediately preceding quarter, less the number of shares redeemed in the most recently completed quarter in excess of such quarter's applicable redemption cap due to qualifying death or disability requests of a stockholder or stockholders during such quarter, which amount may be less than the Aggregate Redemption Cap described below. Our board of directors retains the right, but is not obligated, to redeem additional shares if, in its sole discretion, it determines that it is in our best interest to do so, provided that we will not redeem during any consecutive 12-month period more than five percent of the number of shares of common stock outstanding at the beginning of such 12-month period (referred to herein as the "Aggregate Redemption Cap" and together with the Quarterly Redemption Cap, the "Redemption Caps"), unless permitted to do so by applicable regulatory authorities. Although we presently intend to redeem shares pursuant to the above-referenced methodology, to the extent that the aggregate proceeds received from the sale of shares pursuant to our distribution reinvestment plan in any quarter are not sufficient to

fund redemption requests, our board of directors may, in its sole discretion, choose to use other sources of funds to redeem shares of our common stock, up to the Aggregate Redemption Cap. Such sources of funds could include cash on hand, cash available from borrowings, cash from the sale of our shares pursuant to our distribution reinvestment plan in other quarters, and cash from liquidations of securities investments, to the extent that such funds are not otherwise dedicated to a particular use, such as working capital, cash distributions to stockholders, debt repayment, purchases of real property, debt related or other investments, or redemptions of OP Units. Our board of directors has no obligation to use other sources to redeem shares of our common stock under any circumstances. Our board of directors may, but is not obligated to, increase the Aggregate Redemption Cap but may only do so in reliance on an applicable no-action letter issued or other guidance provided by the SEC staff that would not object to such an increase. There can be no assurance that our board of directors will increase either of the Redemption Caps at any time, nor can there be assurance that our board of directors will be able to obtain, if necessary, a no-action letter from SEC staff. In any event, the number of shares of our common stock that we may redeem will be limited by the funds available from purchases pursuant to our distribution reinvestment plan, cash on hand, cash available from borrowings and cash from liquidations of securities or debt related investments as of the end of the applicable quarter.

Our board of directors may, in its sole discretion, amend, suspend, or terminate the share redemption program at any time if it determines that the funds available to fund the share redemption program are needed for other business or operational purposes or that amendment, suspension or termination of the share redemption program is in the best interests of our stockholders. In addition, our board of directors, in its sole discretion, may determine at any time to modify the share redemption program to redeem shares at a price that is higher or lower than the price paid for the shares by the redeeming stockholder. Any such price modification may be arbitrarily determined by our board of directors, or may be determined on a different basis. If our board of directors decides to materially amend, suspend or terminate the share redemption program, we will provide stockholders with no less than 30 days' prior written notice, which we will provide by filing a Current Report on Form 8-K with the SEC. During the Initial Public Offering, we will also include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under the federal securities laws. Therefore, stockholders may not have the opportunity to make a redemption request prior to any potential suspension, amendment or termination of our share redemption program. Stockholders will have no right to request redemption of their shares of our common stock if the shares of our common stock are listed on a national securities exchange.

Please see the full text of the share redemption program, which is incorporated by reference as Exhibit 4.2 to this Quarterly Report on Form 10-Q, for all of the terms and conditions of the program.

As of March 31, 2017, we had not redeemed any shares of our common stock and had not received any eligible requests for redemption pursuant to our share redemption program.

ITEM 6. EXHIBITS

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

EXHIBIT INDEX

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
3.1	Second Articles of Amendment and Restatement. Incorporated by reference to Exhibit 3.1 to Post-Effective Amendment No.1 to the Registration Statement on Form S-11 (File No. 333-200594) filed with the SEC on July 1, 2016 (“Post-Effective Amendment No. 1”).
3.2	Second Amended and Restated Bylaws of Industrial Logistics Realty Trust Inc. Incorporated by reference to Exhibit 3.2 to Post-Effective Amendment No. 1.
4.1	Second Amended and Restated Distribution Reinvestment Plan effective as of November 1, 2016. Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 2, 2016.
4.2	Amended and Restated Share Redemption Program, effective as of July 1, 2016. Incorporated by reference to Exhibit 4.6 to Post-Effective Amendment No. 1.
10.1	Amended and Restated Limited Partnership Agreement of ILT Operating Partnership LP, dated as of July 1, 2016. Incorporated by reference to Exhibit 10.1 to Post-Effective Amendment No. 1.
10.2	Amended and Restated Management Agreement, dated as of July 1, 2016, by and between ILT Operating Partnership LP and Dividend Capital Property Management LLC. Incorporated by reference to Exhibit 10.2 to Post-Effective Amendment No. 1.
10.3	Third Amended and Restated Advisory Agreement, dated as of February 9, 2017, by and among Industrial Logistics Realty Trust Inc., ILT Operating Partnership LP and ILT Advisors LLC. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 10, 2017.
10.4	Amended and Restated Equity Incentive Plan of Industrial Logistics Realty Trust Inc., effective July 1, 2016. Incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 1.
10.5	Amended and Restated Escrow Agreement dated as of July 1, 2016, by and among Dividend Capital Securities LLC, Industrial Logistics Realty Trust Inc. and UMB Bank., N.A. Incorporated by reference to Exhibit 10.5 to Post-Effective Amendment No. 1.
10.6	Form of Indemnification Agreement entered into between Industrial Logistics Realty Trust Inc. (formerly known as Industrial Logistics Realty Trust Inc.) and each of the following persons as of February 9, 2016: Evan H. Zucker, Dwight L. Merriman III, Thomas G. McGonagle, Joshua J. Widoff, Marshall M. Burton, Charles B. Duke, Stanley A. Moore and John S. Hagestad. Incorporated by reference to Exhibit 10.6 to Post-Effective Amendment No. 1.
10.7	Expense Support Agreement, dated as of October 27, 2016, by and between Industrial Logistics Realty Trust Inc., ILT Operating Partnership LP and ILT Advisors LLC. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 2, 2016.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Industrial Logistics Realty Trust Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed on May 9, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statement of Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Dwight L. Merriman III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Industrial Logistics Realty Trust Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Intentionally omitted;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

May 9, 2017

/s/ DWIGHT L. MERRIMAN III

Dwight L. Merriman III
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas G. McGonagle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Industrial Logistics Realty Trust Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Intentionally omitted;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

May 9, 2017

/s/ THOMAS G. MCGONAGLE

**Thomas G. McGonagle
Chief Financial Officer**

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
Certification of Principal Executive Officer**

In connection with the Quarterly Report on Form 10-Q of Industrial Logistics Realty Trust Inc. (the “Company”) for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dwight L. Merriman III, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2017

/s/ DWIGHT L. MERRIMAN III

Dwight L. Merriman III
Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer

In connection with the Quarterly Report on Form 10-Q of Industrial Logistics Realty Trust Inc. (the “Company”) for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas G. McGonagle, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2017

/s/ THOMAS G. MCGONAGLE

Thomas G. McGonagle
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)