

CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
November 09, 2010

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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 NO. 1-12494

CBL & ASSOCIATES PROPERTIES, INC.
(Exact Name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)
Identification Number)

62-1545718
(I.R.S. Employer

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000
(Address of principal executive office, including zip code)

423.855.0001
(Registrant's telephone number, including area code)

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

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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, 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

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller Reporting Company

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

Yes

No

As of November 3, 2010, there were 138,078,208 shares of common stock, par value \$0.01 per share, outstanding.

CBL & Associates Properties, Inc.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

CBL & Associates Properties, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Real estate assets:		
Land	\$944,821	\$946,750
Buildings and improvements	7,568,635	7,569,015
	8,513,456	8,515,765
Less accumulated depreciation	(1,665,563)	(1,505,840)
	6,847,893	7,009,925
Held for sale	1,366	-
Developments in progress	121,299	85,110
Net investment in real estate assets	6,970,558	7,095,035
Cash and cash equivalents	56,668	48,062
Receivables:		
Tenant, net of allowance for doubtful accounts of \$3,193 in 2010 and \$3,101 in 2009	73,942	73,170
Other	12,671	8,162
Mortgage and other notes receivable	37,866	38,208
Investments in unconsolidated affiliates	196,083	186,523
Intangible lease assets and other assets	267,692	279,950
	\$7,615,480	\$7,729,110
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness	\$5,424,870	\$5,616,139
Accounts payable and accrued liabilities	306,929	248,333
Total liabilities	5,731,799	5,864,472
Commitments and contingencies		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	27,650	22,689
Redeemable noncontrolling preferred joint venture interest	423,834	421,570
Total redeemable noncontrolling interests	451,484	444,259
Shareholders' equity:		
Preferred Stock, \$.01 par value, 15,000,000 shares authorized:		
7.75% Series C Cumulative Redeemable Preferred Stock, 460,000 shares outstanding	5	5
7.375% Series D Cumulative Redeemable Preferred Stock, 1,330,000 and 700,000 shares outstanding in 2010 and 2009, respectively	13	7
Common Stock, \$.01 par value, 350,000,000 shares authorized, 138,075,818 and 137,888,408 issued and outstanding in 2010 and 2009, respectively	1,381	1,379
Additional paid-in capital	1,504,421	1,399,654

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Accumulated other comprehensive income	5,398	491
Accumulated deficit	(353,208)	(283,640)
Total shareholders' equity	1,158,010	1,117,896
Noncontrolling interests	274,187	302,483
Total equity	1,432,197	1,420,379
	\$7,615,480	\$7,729,110

The accompanying notes are an integral part of these balance sheets.

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
REVENUES:				
Minimum rents	\$171,240	\$168,577	\$509,911	\$510,586
Percentage rents	2,602	2,849	8,743	9,257
Other rents	4,259	3,377	13,417	11,788
Tenant reimbursements	78,957	78,463	234,900	241,353
Management, development and leasing fees	1,369	1,312	4,676	5,392
Other	7,404	7,881	21,875	20,946
Total revenues	265,831	262,459	793,522	799,322
EXPENSES:				
Property operating	38,420	40,203	114,492	123,155
Depreciation and amortization	73,333	71,161	215,953	225,069
Real estate taxes	25,555	25,785	75,368	74,357
Maintenance and repairs	13,145	13,116	42,728	42,350
General and administrative	10,495	8,808	31,890	31,180
Loss on impairment of real estate	-	-	25,435	-
Other	6,351	7,714	19,467	18,785
Total expenses	167,299	166,787	525,333	514,896
Income from operations	98,532	95,672	268,189	284,426
Interest and other income	832	1,246	2,831	4,189
Interest expense	(72,053)	(71,120)	(218,854)	(215,847)
Loss on impairment of investments	-	(1,143)	-	(8,849)
Gain on sales of real estate assets	591	1,535	2,606	1,468
Equity in earnings (losses) of unconsolidated affiliates	(1,558)	271	(610)	1,867
Income tax benefit	1,264	1,358	5,052	603
Income from continuing operations	27,608	27,819	59,214	67,857
Operating income (loss) of discontinued operations	69	15	183	(67)
Gain (loss) on discontinued operations	-	10	-	(62)
Net income	27,677	27,844	59,397	67,728
Net income attributable to noncontrolling interests in:				
Operating partnership	(3,605)	(4,758)	(4,992)	(11,173)
Other consolidated subsidiaries	(6,133)	(6,497)	(18,394)	(19,208)
Net income attributable to the Company	17,939	16,589	36,011	37,347
Preferred dividends	(8,359)	(5,455)	(22,745)	(16,364)
Net income attributable to common shareholders	\$9,580	\$11,134	\$13,266	\$20,983

The accompanying notes are an integral part of these statements.

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)
(Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Basic per share data:				
Income from continuing operations, net of preferred dividends	\$0.07	\$0.08	\$0.10	\$0.22
Discontinued operations	-	-	-	-
Net income attributable to common shareholders	\$0.07	\$0.08	\$0.10	\$0.22
Weighted average common shares outstanding	138,075	137,860	138,037	95,746
Diluted per share data:				
Income from continuing operations, net of preferred dividends	\$0.07	\$0.08	\$0.10	\$0.22
Discontinued operations	-	-	-	-
Net income attributable to common shareholders	\$0.07	\$0.08	\$0.10	\$0.22
Weighted average common and potential dilutive common shares outstanding	138,121	137,897	138,079	95,782
Amounts attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$9,500	\$11,116	\$13,133	\$21,067
Discontinued operations	80	18	133	(84)
Net income attributable to common shareholders	\$9,580	\$11,134	\$13,266	\$20,983
Dividends declared per common share	\$0.20	\$0.05	\$0.60	\$0.53

The accompanying notes are an integral part of these statements.

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Equity
(In thousands, except per share data)

	Equity Shareholders' Equity				Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital					
Balance, January 1, 2009	\$18,393	\$12	\$664	\$993,941	\$(12,786)	\$(193,307)	\$788,524	\$380,472	\$1,168,996
Net income	5,210	-	-	-	-	37,347	37,347	9,658	47,005
Other comprehensive income:									
Net unrealized gain (loss) on available-for-sale securities	273	-	-	-	1,023	-	1,023	(16)	1,007
Net unrealized gain on hedging instruments	574	-	-	-	5,459	-	5,459	2,402	7,861
Realized loss on foreign currency translation adjustment	3	-	-	-	44	-	44	28	72
Net unrealized gain on foreign currency translation adjustment	480	-	-	-	3,874	-	3,874	1,677	5,551
Total other comprehensive income	1,330						10,400	4,091	14,491
Dividends declared - common stock	-	-	-	-	-	(46,630)	(46,630)	-	(46,630)
Dividends declared - preferred stock	-	-	-	-	-	(16,364)	(16,364)	-	(16,364)
Issuance of common stock and restricted common stock	-	-	1	562	-	-	563	-	563
Issuance of common stock for dividend	-	-	48	14,691	-	-	14,739	-	14,739

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Issuance of common stock in equity offering	-	-	666	381,157	-	-	381,823	-	381,823
Cancellation of restricted common stock	-	-	-	(117)	-	-	(117)	-	(117)
Accrual under deferred compensation arrangements	-	-	-	46	-	-	46	-	46
Amortization of deferred compensation	-	-	-	1,877	-	-	1,877	-	1,877
Additions to deferred financing costs	-	-	-	-	-	-	-	35	35
Transfer from noncontrolling interests to redeemable noncontrolling interests	82,970	-	-	-	-	-	-	(82,970)	(82,970)
Issuance of noncontrolling interests for distribution	-	-	-	-	-	-	-	4,140	4,140
Distributions to noncontrolling interests	(11,271)	-	-	-	-	-	-	(38,363)	(38,363)
Purchase of noncontrolling interest in other consolidated subsidiaries	-	-	-	217	-	-	217	(717)	(500)
Adjustment for noncontrolling interests	(4,521)	-	-	21,215	-	-	21,215	(16,694)	4,521
Adjustment to record redeemable noncontrolling interests at redemption value	4,009	-	-	(4,009)	-	-	(4,009)	-	(4,009)
Balance, September 30, 2009	\$96,120	\$12	\$1,379	\$1,409,580	\$(2,386)	\$(218,954)	\$1,189,631	\$259,652	\$1,449,283

The accompanying notes are an integral part of these statements.

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Equity
(In thousands, except per share data)

	Equity			Shareholders' Equity			Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit			
Balance, January 1, 2010	\$22,689	\$12	\$1,379	\$1,399,654	\$491	\$(283,640)	\$1,117,896	\$302,483	\$1,420,379
Net income	2,997	-	-	-	-	36,011	36,011	4,935	40,946
Other comprehensive income (loss):									
Net unrealized gain on available-for-sale securities	44	-	-	-	3,879	-	3,879	1,431	5,310
Net unrealized gain on hedging instruments	21	-	-	-	1,867	-	1,867	681	2,548
Realized loss on foreign currency translation adjustment	1	-	-	-	123	-	123	45	168
Net unrealized gain (loss) on foreign currency translation adjustment	(397)	-	-	-	(962)	-	(962)	1,203	241
Total other comprehensive income (loss)	(331)						4,907	3,360	8,267
Dividends declared - common stock	-	-	-	-	-	(82,834)	(82,834)	-	(82,834)
Dividends declared - preferred stock	-	-	-	-	-	(22,745)	(22,745)	-	(22,745)
Issuance of Series D preferred stock	-	6	-	121,262	-	-	121,268	-	121,268
Issuance of common stock and restricted common stock	-	-	1	164	-	-	165	-	165
Cancellation of restricted	-	-	-	(175)	-	-	(175)	-	(175)

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common stock									
Exercise of stock options	-	-	1	941	-	-	942	-	942
Accrual under deferred compensation arrangements	-	-	-	30	-	-	30	-	30
Amortization of deferred compensation	-	-	-	1,844	-	-	1,844	-	1,844
Income tax effect of share-based compensation	(10)	-	-	(1,468)	-	-	(1,468)	(337)	(1,805)
Distributions to noncontrolling interests	(7,787)	-	-	-	-	-	-	(43,993)	(43,993)
Adjustment for noncontrolling interests	2,311	-	-	(10,050)	-	-	(10,050)	7,739	(2,311)
Adjustment to record redeemable noncontrolling interests at redemption value	7,781	-	-	(7,781)	-	-	(7,781)	-	(7,781)
Balance, September 30, 2010	\$27,650	\$18	\$1,381	\$1,504,421	\$5,398	\$(353,208)	\$1,158,010	\$274,187	\$1,432,197

The accompanying notes are an integral part of these statements.

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$59,397	\$67,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	147,013	145,389
Amortization	69,003	79,976
Amortization of deferred finance costs and debt premiums (discounts)	5,219	(767)
Net amortization of intangible lease assets and liabilities	(1,481)	(2,061)
Gain on sales of real estate assets	(2,606)	(1,468)
Realized foreign currency loss	169	76
Loss on discontinued operations	-	62
Write-off of development projects	420	1,346
Share-based compensation expense	1,932	2,363
Income tax effect of share-based compensation	(1,815)	-
Loss on impairment of investments	-	8,849
Loss on impairment of real estate	25,435	-
Equity in (earnings) losses of unconsolidated affiliates	610	(1,867)
Distributions of earnings from unconsolidated affiliates	3,554	8,175
Provision for doubtful accounts	2,950	4,487
Change in deferred tax accounts	2,245	386
Changes in:		
Tenant and other receivables	(8,623)	(2,868)
Other assets	(5,918)	(6,028)
Accounts payable and accrued liabilities	(7,666)	(5,931)
Net cash provided by operating activities	289,838	297,847
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(80,689)	(174,163)
Distributions from restricted cash	16,837	2,700
Proceeds from sales of real estate assets	5,485	7,183
Additions to mortgage notes receivable	-	(3,851)
Payments received on mortgage notes receivable	1,485	14,297
Purchases of available-for-sale securities	(9,975)	-
Additional investments in and advances to unconsolidated affiliates	(22,019)	(56,895)
Distributions in excess of equity in earnings of unconsolidated affiliates	28,548	60,614
Changes in other assets	(4,089)	27,424
Net cash used in investing activities	(64,417)	(122,691)

The accompanying notes are an integral part of these statements.

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CBL & Associates Properties, Inc.
 Condensed Consolidated Statements of Cash Flows
 (In thousands)
 (Unaudited)
 (Continued)

Nine Months Ended
 September 30,
 2010 2009

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from mortgage and other indebtedness	\$637,113	\$456,362
Principal payments on mortgage and other indebtedness	(824,371)	(868,120)
Additions to deferred financing costs	(4,418)	(13,422)
Proceeds from issuances of common stock	104	381,928
Proceeds from issuances of preferred stock	121,268	-
Proceeds from exercises of stock options		