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CBL & ASSOCIATES PROPERTIES INC

Form 10-Q

November 09, 2015

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UNITED STATES OF AMERICA

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, 2015

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.)

COMMISSION FILE NO. 333-182515-01 (CBL & ASSOCIATES LIMITED PARTNERSHIP)

\_\_\_\_\_  
CBL & ASSOCIATES PROPERTIES, INC.

CBL & ASSOCIATES LIMITED PARTNERSHIP

(Exact Name of registrant as specified in its charter)

\_\_\_\_\_  
DELAWARE (CBL & ASSOCIATES PROPERTIES, INC.)

62-1545718

DELAWARE (CBL & ASSOCIATES LIMITED

62-1542285

PARTNERSHIP)

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

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)

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.

CBL & Associates Properties, Inc.

Yes ☒ x

No ☐ o

CBL & Associates Limited Partnership

Yes ☒ x

No ☐ o

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).

CBL & Associates Properties, Inc.

Yes ☒ x

No ☐ o

CBL & Associates Limited Partnership

Yes ☒ x

No ☐ o

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.

CBL & Associates Properties, Inc.

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Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐

CBL & Associates Limited Partnership

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☐

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

CBL & Associates Properties, Inc. Yes ☐ No ☒

CBL & Associates Limited Partnership Yes ☐ No ☒

As of October 30, 2015, there were 170,496,444 shares of CBL & Associates Properties, Inc.'s common stock, par value \$0.01 per share, outstanding.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2015 of CBL & Associates Properties, Inc. and CBL & Associates Limited Partnership. Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company is a real estate investment trust ("REIT") whose stock is traded on the New York Stock Exchange. The Company is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2015, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.3% limited partner interest for a combined interest held by the Company of 85.3%.

As the sole general partner of the Operating Partnership, the Company's subsidiary, CBL Holdings I, Inc., has exclusive control of the Operating Partnership's activities. Management operates the Company and the Operating Partnership as one business. The management of the Company consists of the same individuals that manage the Operating Partnership. The Company's only material asset is its indirect ownership of partnership interests of the Operating Partnership. As a result, the Company conducts substantially all its business through the Operating Partnership as described in the preceding paragraph. The Company also issues public equity from time to time and guarantees certain debt of the Operating Partnership. The Operating Partnership holds all of the assets and indebtedness of the Company and, through affiliates, retains the ownership interests in the Company's joint ventures. Except for the net proceeds of offerings of equity by the Company, which are contributed to the Operating Partnership in exchange for partnership units on a one-for-one basis, the Operating Partnership generates all remaining capital required by the Company's business through its operations and its incurrence of indebtedness.

We believe that combining the two quarterly reports on Form 10-Q for the Company and the Operating Partnership provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;

- eliminates duplicative disclosure and provides a more streamlined and readable presentation, since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate condensed consolidated financial statements for the Company and the Operating Partnership. Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the condensed consolidated financial statements of the Company and those of the Operating Partnership. A single set of notes to condensed consolidated financial statements is presented that includes separate discussions for the Company and the Operating Partnership, when applicable. A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents combined information and discrete information related to each entity, as applicable.

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In order to highlight the differences between the Company and the Operating Partnership, this report includes the following sections that provide separate financial information for the Company and the Operating Partnership:

- condensed consolidated financial statements;

certain accompanying notes to condensed consolidated financial statements, including Note 5 - Unconsolidated Affiliates, Redeemable Interests, Noncontrolling Interests and Cost Method Investments; Note 6 - Mortgage and Other Indebtedness; Note 7 - Comprehensive Income; and Note 11 - Earnings per Share and Earnings per Unit;

controls and procedures in Item 4 of Part I of this report; and

certifications of the Chief Executive Officer and Chief Financial Officer included as Exhibits 31.1 through 32.4.

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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, 2015	December 31, 2014
<b>ASSETS</b>		
Real estate assets:		
Land	\$905,628	\$847,829
Buildings and improvements	7,410,063	7,221,387
	8,315,691	8,069,216
Accumulated depreciation	(2,395,124)	(2,240,007)
	5,920,567	5,829,209
Developments in progress	123,233	117,966
Net investment in real estate assets	6,043,800	5,947,175
Cash and cash equivalents	32,437	37,938
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,884 and \$2,368 in 2015 and 2014, respectively	87,797	81,338
Other, net of allowance for doubtful accounts of \$1,219 and \$1,285 in 2015 and 2014, respectively	21,232	22,577
Mortgage and other notes receivable	18,347	19,811
Investments in unconsolidated affiliates	277,374	281,449
Intangible lease assets and other assets	214,748	226,011
	\$6,695,735	\$6,616,299
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>		
Mortgage and other indebtedness	\$4,821,475	\$4,700,460
Accounts payable and accrued liabilities	355,215	328,352
Total liabilities	5,176,690	5,028,812
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	28,315	37,559
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
7.375% Series D Cumulative Redeemable Preferred		
Stock, 1,815,000 shares outstanding	18	18
6.625% Series E Cumulative Redeemable Preferred		
Stock, 690,000 shares outstanding	7	7
Common stock, \$.01 par value, 350,000,000 shares authorized, 170,493,734 and 170,260,273 issued and outstanding in 2015 and 2014, respectively	1,705	1,703
Additional paid-in capital	1,968,947	1,958,198
Accumulated other comprehensive income	1,494	13,411
Dividends in excess of cumulative earnings	(610,368)	(566,785)
Total shareholders' equity	1,361,803	1,406,552
Noncontrolling interests	128,927	143,376

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Total equity	1,490,730	1,549,928
	\$6,695,735	\$6,616,299

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



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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,	
	2015	2014	2015	2014
<b>REVENUES:</b>				
Minimum rents	\$170,422	\$169,097	\$505,931	\$506,005
Percentage rents	3,869	3,060	10,418	8,490
Other rents	4,156	3,813	13,748	13,708
Tenant reimbursements	72,461	71,330	214,818	214,322
Management, development and leasing fees	2,754	3,228	8,195	9,176
Other	8,974	8,186	24,278	25,189
Total revenues	262,636	258,714	777,388	776,890
<b>OPERATING EXPENSES:</b>				
Property operating	35,859	36,668	107,629	112,206
Depreciation and amortization	74,045	72,488	221,550	212,180
Real estate taxes	23,579	22,202	68,913	65,638
Maintenance and repairs	12,480	12,603	39,103	41,391
General and administrative	12,995	9,474	46,440	35,583
Loss on impairment	884	497	3,665	17,753
Other	8,787	7,396	21,191	21,331
Total operating expenses	168,629	161,328	508,491	506,082
Income from operations	94,007	97,386	268,897	270,808
Interest and other income	579	463	6,242	3,535
Interest expense	(56,451)	(60,214)	(174,362)	(179,997)
Gain on extinguishment of debt	—	18,282	256	60,942
Gain on investment	—	—	16,560	—
Equity in earnings of unconsolidated affiliates	3,508	3,936	12,212	11,038
Income tax provision	(448)	(3,083)	(2,004)	(4,266)
Income from continuing operations before gain on sales of real estate assets	41,195	56,770	127,801	162,060
Gain on sales of real estate assets	3,237	434	18,167	3,513
Income from continuing operations	44,432	57,204	145,968	165,573
Operating income (loss) of discontinued operations	—	78	—	(480)
Gain on discontinued operations	—	(2)	—	88
Net income	44,432	57,280	145,968	165,181
Net income attributable to noncontrolling interests in:				
Operating Partnership	(4,665)	(6,576)	(15,783)	(18,847)
Other consolidated subsidiaries	(2,198)	(1,362)	(4,557)	(3,740)
Net income attributable to the Company	37,569	49,342	125,628	142,594
Preferred dividends	(11,223)	(11,223)	(33,669)	(33,669)
Net income attributable to common shareholders	\$26,346	\$38,119	\$91,959	\$108,925



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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,	
	2015	2014	2015	2014
Basic per share data attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$0.15	\$0.22	\$0.54	\$0.64
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to common shareholders	\$0.15	\$0.22	\$0.54	\$0.64
Weighted-average common shares outstanding	170,494	170,262	170,470	170,242
Diluted per share data attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$0.15	\$0.22	\$0.54	\$0.64
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to common shareholders	\$0.15	\$0.22	\$0.54	\$0.64
Weighted-average common and potential dilutive common shares outstanding	170,494	170,262	170,500	170,242
Amounts attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$26,346	\$38,054	\$91,959	\$109,259
Discontinued operations	—	65	—	(334 )
Net income attributable to common shareholders	\$26,346	\$38,119	\$91,959	\$108,925
Dividends declared per common share	\$0.265	\$0.245	\$0.795	\$0.735

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$44,432	\$57,280	\$145,968	\$165,181
Other comprehensive income (loss):				
Unrealized holding gain on available-for-sale securities	—	4,044	242	6,240
Reclassification to net income of realized gain on available-for-sale securities	—	—	(16,560)	) —
Unrealized gain on hedging instruments	975	1,148	3,074	3,021
Reclassification of hedging effect on earnings	(518)	) (551)	) (1,687)	) (1,650)
Total other comprehensive income (loss)	457	4,641	(14,931)	) 7,611
Comprehensive income	44,889	61,921	131,037	172,792
Comprehensive income attributable to noncontrolling interests in:				
Operating Partnership	(4,737)	) (8,071)	) (12,769)	) (19,978)
Other consolidated subsidiaries	(2,198)	) (1,362)	) (4,557)	) (3,740)
Comprehensive income attributable to the Company	\$37,954	\$52,488	\$113,711	\$149,074

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

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

	Equity Shareholders' Equity					Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income				
Balance, January 1, 2014	\$ 34,639	\$ 25	\$ 1,700	\$ 1,967,644	\$ 6,325	\$(570,781)	\$ 1,404,913	\$ 155,021	\$ 1,559,934
Net income	3,323	—	—	—	—	142,594	142,594	19,264	161,858
Other comprehensive income	60	—	—	—	6,480	—	6,480	1,071	7,551
Dividends declared - common stock	—	—	—	—	—	(125,144 )	(125,144 )	—	(125,144 )
Dividends declared - preferred stock	—	—	—	—	—	(33,669 )	(33,669 )	—	(33,669 )
Issuances of 243,648 shares of common stock and restricted common stock	—	—	3	636	—	—	639	—	639
Cancellation of 31,123 shares of restricted common stock	—	—	—	(369 )	—	—	(369 )	—	(369 )
Amortization of deferred compensation	—	—	—	2,837	—	—	2,837	—	2,837
Redemption of Operating Partnership common units	—	—	—	—	—	—	—	(4,609 )	(4,609 )
Contributions from noncontrolling interests	—	—	—	—	—	—	—	938	938
Distributions to noncontrolling interests	(7,083 )	—	—	—	—	—	—	(26,997 )	(26,997 )
Adjustment for noncontrolling	2,193	—	—	(6,865 )	—	—	(6,865 )	4,672	(2,193 )

interests

Adjustment to

record

redeemable

noncontrolling	1,711	—	—	(1,696	) —	—	(1,696	) (15	) (1,711	)
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interests at

redemption

value

Balance,

September 30,	\$ 34,843	\$ 25	\$ 1,703	\$ 1,962,187	\$ 12,805	\$(587,000)	\$ 1,389,720	\$ 149,345	\$ 1,539,065
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2014

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

	Equity Shareholders' Equity				Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital					
Balance, January 1, 2015	\$ 37,559	\$ 25	\$ 1,703	\$ 1,958,198	\$ 13,411	\$(566,785)	\$ 1,406,552	\$ 143,376	\$ 1,549,928
Net income	3,865	—	—	—	—	125,628	125,628	16,475	142,103
Other comprehensive loss	(366 )	—	—	—	(11,917 )	—	(11,917 )	(2,648 )	(14,565 )
Dividends declared - common stock	—	—	—	—	—	(135,542 )	(135,542 )	—	(135,542 )
Dividends declared - preferred stock	—	—	—	—	—	(33,669 )	(33,669 )	—	(33,669 )
Issuances of 275,359 shares of common stock and restricted common stock	—	—	3	636	—	—	639	—	639
Cancellation of 41,898 shares of restricted common stock	—	—	(1 )	(740 )	—	—	(741 )	—	(741 )
Performance stock units	—	—	—	468	—	—	468	—	468
Amortization of deferred compensation	—	—	—	3,384	—	—	3,384	—	3,384
Redemptions of Operating Partnership common units	—	—	—	—	—	—	—	(286 )	(286 )
Contributions from noncontrolling interests	—	—	—	—	—	—	—	607	607
Distributions to noncontrolling	(5,486 )	—	—	—	—	—	—	(28,856 )	(28,856 )

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interests									
Adjustment for									
noncontrolling	2,258	—	—	(1,338	) —	—	(1,338	) (918	) (2,256
interests									
Adjustment to									
record									
redeemable									
noncontrolling	(9,515	) —	—	8,339	—	—	8,339	1,177	9,516
interests at									
redemption									
value									
Balance,									
September 30,	\$28,315	\$25	\$1,705	\$1,968,947	\$1,494	\$(610,368)	\$1,361,803	\$128,927	\$1,490,730
2015									

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



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

	Nine Months Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$145,968	\$165,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	221,550	212,180
Net amortization of deferred finance costs and debt premiums	3,745	4,557
Net amortization of intangible lease assets and liabilities	(613)	) 535
Gain on sales of real estate assets	(18,167)	) (3,513)
Gain on investment	(16,560)	) —
Gain on discontinued operations	—	(88)
Write-off of development projects	2,183	81
Share-based compensation expense	4,323	3,318
Loss on impairment	3,665	17,753
Loss on impairment from discontinued operations	—	681
Gain on extinguishment of debt	(256)	) (60,942)
Equity in earnings of unconsolidated affiliates	(12,212)	) (11,038)
Distributions of earnings from unconsolidated affiliates	15,697	14,563
Provision for doubtful accounts	1,663	2,684
Change in deferred tax accounts	(59)	) 1,241
Changes in:		
Tenant and other receivables	(6,777)	) (4,629)
Other assets	(5,592)	) (5,637)
Accounts payable and accrued liabilities	21,324	(7,593)
Net cash provided by operating activities	359,882	329,334
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to real estate assets	(160,760)	) (195,418)
Acquisition of real estate assets	(191,988)	) —
(Additions) reduction to restricted cash	2,132	(362)
Proceeds from sales of real estate assets	33,355	15,865
Payments received on mortgage and other notes receivable	1,464	20,911
Net proceeds from sales of available-for-sale securities	20,755	—
Additional investments in and advances to unconsolidated affiliates	(13,314)	) (12,541)
Distributions in excess of equity in earnings of unconsolidated affiliates	16,979	34,695
Changes in other assets	(8,227)	) (6,563)
Net cash used in investing activities	(299,604)	) (143,413)

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

	Nine Months Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from mortgage and other indebtedness	\$919,728	\$429,596
Principal payments on mortgage and other indebtedness	(782,195)	(437,092)
Additions to deferred financing costs	(287)	(233)
Prepayment fees on extinguishment of debt	—	(1,249)
Proceeds from issuances of common stock	149	131
Purchase of noncontrolling interest in the Operating Partnership	(286)	(4,609)
Contributions from noncontrolling interests	607	11
Distributions to noncontrolling interests	(34,345)	(34,145)
Dividends paid to holders of preferred stock	(33,669)	(33,669)
Dividends paid to common shareholders	(135,481)	(125,091)
Net cash used in financing activities	(65,779)	(206,350)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	 (5,501)	 (20,429)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>37,938</b>	<b>65,500</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$32,437</b>	<b>\$45,071</b>
 <b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest, net of amounts capitalized	\$162,390	\$171,661

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

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CBL & Associates Limited Partnership  
Condensed Consolidated Balance Sheets  
(In thousands, except unit data)  
(Unaudited)

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Real estate assets:		
Land	\$905,628	\$847,829
Buildings and improvements	7,410,062	7,221,387
	8,315,690	8,069,216
Accumulated depreciation	(2,395,124)	(2,240,007)
	5,920,566	5,829,209
Developments in progress	123,233	117,966
Net investment in real estate assets	6,043,799	5,947,175
Cash and cash equivalents	32,420	37,926
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,884 and \$2,368 in 2015 and 2014, respectively	87,797	81,338
Other, net of allowance for doubtful accounts of \$1,219 and \$1,285 in 2015 and 2014, respectively	21,232	22,577
Mortgage and other notes receivable	18,347	19,811
Investments in unconsolidated affiliates	277,936	282,009
Intangible lease assets and other assets	214,628	225,891
	\$6,696,159	\$6,616,727
<b>LIABILITIES, REDEEMABLE INTERESTS AND CAPITAL</b>		
Mortgage and other indebtedness	\$4,821,475	\$4,700,460
Accounts payable and accrued liabilities	355,215	328,267
Total liabilities	5,176,690	5,028,727
Commitments and contingencies (Note 12)		
Redeemable interests:		
Redeemable noncontrolling interests	6,324	6,455
Redeemable common units	21,991	31,104
Total redeemable interests	28,315	37,559
Partners' capital:		
Preferred units	565,212	565,212
Common units:		
General partner	9,347	9,789
Limited partners	911,282	953,349
Accumulated other comprehensive income (loss)	(1,382)	13,183
Total partners' capital	1,484,459	1,541,533
Noncontrolling interests	6,695	8,908
Total capital	1,491,154	1,550,441
	\$6,696,159	\$6,616,727

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



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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Operations  
(In thousands, except per unit data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>REVENUES:</b>				
Minimum rents	\$170,422	\$169,097	\$505,931	\$506,005
Percentage rents	3,869	3,060	10,418	8,490
Other rents	4,156	3,813	13,748	13,708
Tenant reimbursements	72,461	71,330	214,818	214,322
Management, development and leasing fees	2,754	3,228	8,195	9,176
Other	8,974	8,186	24,278	25,189
Total revenues	262,636	258,714	777,388	776,890
<b>OPERATING EXPENSES:</b>				
Property operating	35,859	36,668	107,629	112,206
Depreciation and amortization	74,045	72,488	221,550	212,180
Real estate taxes	23,579	22,202	68,913	65,638
Maintenance and repairs	12,480	12,603	39,103	41,391
General and administrative	12,995	9,474	46,440	35,583
Loss on impairment	884	497	3,665	17,753
Other	8,787	7,396	21,191	21,331
Total operating expenses	168,629	161,328	508,491	506,082
Income from operations	94,007	97,386	268,897	270,808
Interest and other income	579	463	6,242	3,535
Interest expense	(56,451)	(60,214)	(174,362)	(179,997)
Gain on extinguishment of debt	—	18,282	256	60,942
Gain on investment	—	—	16,560	—
Equity in earnings of unconsolidated affiliates	3,508	3,936	12,212	11,038
Income tax provision	(448)	(3,083)	(2,004)	(4,266)
Income from continuing operations before gain on sales of real estate assets	41,195	56,770	127,801	162,060
Gain on sales of real estate assets	3,237	434	18,167	3,513
Income from continuing operations	44,432	57,204	145,968	165,573
Operating income (loss) of discontinued operations	—	78	—	(480)
Gain on discontinued operations	—	(2)	—	88
Net income	44,432	57,280	145,968	165,181
Net income attributable to noncontrolling interests	(2,198)	(1,362)	(4,557)	(3,740)
Net income attributable to the Operating Partnership	42,234	55,918	141,411	161,441
Distributions to preferred unitholders	(11,223)	(11,223)	(33,669)	(33,669)
Net income attributable to common unitholders	\$31,011	\$44,695	\$107,742	\$127,772

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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Operations  
(In thousands, except per unit data)  
(Unaudited)  
(Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic per unit data attributable to common unitholders:				
Income from continuing operations, net of preferred distributions	\$0.16	\$0.22	\$0.54	\$0.64
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to common unitholders	\$0.16	\$0.22	\$0.54	\$0.64
Weighted-average common units outstanding	199,751	199,631	199,728	199,699
Diluted per unit data attributable to common unitholders:				
Income from continuing operations, net of preferred distributions	\$0.16	\$0.22	\$0.54	\$0.64
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to common unitholders	\$0.16	\$0.22	\$0.54	\$0.64
Weighted-average common and potential dilutive common units outstanding	199,751	199,631	199,758	199,699
Amounts attributable to common unitholders:				
Income from continuing operations, net of preferred distributions	\$31,011	\$44,630	\$107,742	\$128,106
Discontinued operations	—	65	—	(334 )
Net income attributable to common unitholders	\$31,011	\$44,695	\$107,742	\$127,772
Distributions declared per common unit	\$0.273	\$0.253	\$0.819	\$0.759

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

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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Comprehensive Income  
(In thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$44,432	\$57,280	\$145,968	\$165,181
Other comprehensive income (loss):				
Unrealized holding gain on available-for-sale securities	—	4,044	242	6,240
Reclassification to net income of realized gain on available-for-sale securities	—	—	(16,560)	) —
Unrealized gain on hedging instruments	975	1,148	3,074	3,021
Reclassification of hedging effect on earnings	(518)	) (551)	) (1,687)	) (1,650)
Total other comprehensive income (loss)	457	4,641	(14,931)	) 7,611
Comprehensive income	44,889	61,921	131,037	172,792
Comprehensive income attributable to noncontrolling interests	(2,198)	) (1,362)	) (4,557)	) (3,740)
Comprehensive income of the Operating Partnership	\$42,691	\$60,559	\$126,480	\$169,052

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

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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Capital  
(In thousands)  
(Unaudited)

	Redeemable Interests			Number of			Common Units				
	Redeemable Noncontrolling Interests	Redeemable Common Units	Total Redeemable Interests	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	Accumulated Other Comprehensive Income	Total Partners' Capital	Noncontrolling Interests
Balance, January 1, 2014	\$5,883	\$28,756	\$34,639	25,050	199,593	\$565,212	\$9,866	\$961,175	\$4,923	\$1,541,176	\$19,176
Net income	2,324	999	3,323	—	—	33,669	1,301	125,472	—	160,442	1,416
Other comprehensive income	—	60	60	—	—	—	—	—	7,551	7,551	—
Distributions declared - common units	—	(3,411 )	(3,411 )	—	—	—	(1,479 )	(146,707 )	—	(148,186 )	—
Distributions declared - preferred units	—	—	—	—	—	(33,669 )	—	—	—	(33,669 )	—
Issuances of common units	—	—	—	—	244	—	—	639	—	639	—
Redemption of common units	—	—	—	—	(171 )	—	—	(4,609 )	—	(4,609 )	—
Cancellation of restricted common stock	—	—	—	—	(31 )	—	—	(369 )	—	(369 )	—
Amortization of deferred compensation	—	—	—	—	—	—	29	2,808	—	2,837	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	938
Distributions to noncontrolling interests	(3,672 )	—	(3,672 )	—	—	—	—	—	—	—	(3,955)
Allocation of partners' capital	—	2,193	2,193	—	—	—	(107 )	(2,108 )	—	(2,215 )	—
Adjustment to record redeemable interests at redemption value	1,585	126	1,711	—	—	—	(18 )	(1,693 )	—	(1,711 )	—
Balance, September 30,	\$6,120	\$28,723	\$34,843	25,050	199,635	\$565,212	\$9,592	\$934,608	\$12,474	\$1,521,886	\$17,576



2014

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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Capital  
(In thousands)  
(Unaudited)  
(Continued)

	Redeemable Interests			Number of			Common Units				
	Redeemable Noncontrolling Interests	Redeemable Common Units	Total Redeemable Interests	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital	Noncontrolling Interests
Balance, January 1, 2015	\$6,455	\$31,104	\$37,559	25,050	199,532	\$565,212	\$9,789	\$953,349	\$13,183	\$1,541,533	\$8,900
Net income	3,023	842	3,865	—	—	33,669	1,097	105,803	—	140,569	1,534
Other comprehensive loss	—	(366 )	(366 )	—	—	—	—	—	(14,565 )	(14,565 )	—
Distributions declared - common units	—	(3,429 )	(3,429 )	—	—	—	(1,600 )	(158,444 )	—	(160,044 )	—
Distributions declared - preferred units	—	—	—	—	—	(33,669 )	—	—	—	(33,669 )	—
Issuances of common units	—	—	—	—	273	—	—	639	—	639	—
Redemptions of common units	—	—	—	—	(55 )	—	—	(286 )	—	(286 )	—
Cancellation of restricted common stock	—	—	—	—	—	—	—	(741 )	—	(741 )	—
Performance stock units	—	—	—	—	—	—	5	463	—	468	—
Amortization of deferred compensation	—	—	—	—	—	—	35	3,349	—	3,384	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	607
Distributions to noncontrolling interests	(2,057 )	—	(2,057 )	—	—	—	—	—	—	—	(4,354 )
Allocation of partners' capital	—	2,258	2,258	—	—	—	(76 )	(2,269 )	—	(2,345 )	—
Adjustment to record redeemable interests at	(1,097 )	(8,418 )	(9,515 )	—	—	—	97	9,419	—	9,516	—

redemption  
value

Balance,

September 30, \$6,324 \$21,991 \$28,315 25,050 199,750 \$565,212 \$9,347 \$911,282 \$(1,382 ) \$1,484,459 \$6,69  
2015

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

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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 145,968	\$ 165,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	221,550	212,180
Net amortization of deferred finance costs and debt premiums	3,745	4,557
Net amortization of intangible lease assets and liabilities	(613)	) 535
Gain on sales of real estate assets	(18,167)	) (3,513)
Gain on investment	(16,560)	) —
Gain on discontinued operations	—	(88)
Write-off of development projects	2,183	81
Share-based compensation expense	4,323	3,318
Loss on impairment	3,665	17,753
Loss on impairment from discontinued operations	—	681
Gain on extinguishment of debt	(256)	) (60,942)
Equity in earnings of unconsolidated affiliates	(12,212)	) (11,038)
Distributions of earnings from unconsolidated affiliates	15,697	14,559
Provision for doubtful accounts	1,663	2,684
Change in deferred tax accounts	(59)	) 1,241
Changes in:		
Tenant and other receivables	(6,777)	) (4,629)
Other assets	(5,592)	) (5,637)
Accounts payable and accrued liabilities	21,319	(7,631)
Net cash provided by operating activities	359,877	329,292
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to real estate assets	(160,760)	) (195,418)
Acquisition of real estate assets	(191,988)	) —
(Additions) reductions to restricted cash	2,132	(362)
Proceeds from sales of real estate assets	33,355	15,865
Payments received on mortgage and other notes receivable	1,464	20,911
Net proceeds from sales of available-for-sale securities	20,755	—
Additional investments in and advances to unconsolidated affiliates	(13,314)	) (12,541)
Distributions in excess of equity in earnings of unconsolidated affiliates	16,979	34,695
Changes in other assets	(8,227)	) (6,563)
Net cash used in investing activities	(299,604)	) (143,413)

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CBL & Associates Limited Partnership  
Condensed Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)  
(Continued)

	Nine Months Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from mortgage and other indebtedness	\$919,728	\$429,596
Principal payments on mortgage and other indebtedness	(782,195)	(437,092)
Additions to deferred financing costs	(287)	(233)
Prepayment fees on extinguishment of debt	—	(1,249)
Proceeds from issuances of common units	149	131
Redemption of common units	(286)	(4,609)
Contributions from noncontrolling interests	607	11
Distributions to noncontrolling interests	(11,901)	(34,145)
Distributions to preferred unitholders	(33,669)	(33,669)
Distributions to common unitholders	(157,925)	(125,091)
Net cash provided by (used in) financing activities	(65,779)	(206,350)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,506)</b>	<b>(20,471)</b>
CASH AND CASH EQUIVALENTS, beginning of period	37,926	65,486
CASH AND CASH EQUIVALENTS, end of period	\$32,420	\$45,015
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest, net of amounts capitalized	\$162,390	\$171,661

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

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CBL &amp; Associates Properties, Inc.

CBL &amp; Associates Limited Partnership

Notes to Unaudited Condensed Consolidated Financial Statements

(Dollars in thousands, except per share and per unit data)

## Note 1 – Organization and Basis of Presentation

CBL & Associates Properties, Inc. ("CBL"), a Delaware corporation, is a self-managed, self-administered, fully-integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls, open-air and mixed-use centers, outlet centers, associated centers, community centers and office properties. Its properties are located in 27 states, but are primarily in the southeastern and midwestern United States.

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the "Operating Partnership"). The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity ("VIE"). As of September 30, 2015, the Operating Partnership owned interests in the following properties:

	Malls <sup>(1)</sup>	Associated Centers	Community Centers	Office Buildings <sup>(2)</sup>	Total
Consolidated properties	72	23	7	8	110
Unconsolidated properties <sup>(3)</sup>	10	4	4	5	23
Total	82	27	11	13	133

(1) Category consists of regional malls, open-air centers and outlet centers (including one mixed-use center).

(2) Includes CBL's corporate office building.

(3) The Operating Partnership accounts for these investments using the equity method because one or more of the other partners have substantive participating rights.

At September 30, 2015, the Operating Partnership had interests in the following properties under development:

	Consolidated Properties	Unconsolidated Properties	Community Centers
	Malls	Malls	
Development	—	—	1
Expansions	4	1	1
Redevelopments	4	2	—

The Operating Partnership also holds options to acquire certain development properties owned by third parties. CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2015, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.3% limited partner interest for a combined interest held by CBL of 85.3%.

As used herein, the term "Company" includes CBL & Associates Properties, Inc. and its subsidiaries, including CBL & Associates Limited Partnership and its subsidiaries, unless the context indicates otherwise. The term "Operating Partnership" refers to CBL & Associates Limited Partnership and its subsidiaries.

The noncontrolling interest in the Operating Partnership is held by CBL & Associates, Inc., its shareholders and affiliates and certain senior officers of the Company (collectively "CBL's Predecessor"), all of which contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993, and by various third parties. At September 30, 2015, CBL's Predecessor owned a 9.1% limited partner interest and third parties owned a 5.6% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 3.5 million shares of CBL's common stock at September 30, 2015, for a total combined effective interest of 10.9% in the Operating Partnership.

The Operating Partnership conducts the Company's property management and development activities through its wholly-owned subsidiary, CBL & Associates Management, Inc. (the "Management Company"), to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code").

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The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. All intercompany transactions have been eliminated. The results for the interim period ended September 30, 2015 are not necessarily indicative of the results to be obtained for the full fiscal year.

These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2014.

### Note 2 – Recent Accounting Pronouncements

#### Accounting Guidance Not Yet Effective

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), which requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability to which they relate, consistent with the presentation of debt discounts. Currently, debt issuance costs are presented as an asset on the balance sheet under GAAP. The guidance only changes presentation and does not change the recognition and measurement of debt issuance costs. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("ASU 2015-15"). ASU 2015-15 addresses the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line of credit arrangements. Under ASU 2015-15, debt issuance costs related to line of credit arrangements can continue to be presented as an asset on the balance sheet and be subsequently amortized over the term of the arrangement. For public companies, ASU 2015-03 is effective on a retrospective basis for annual periods beginning after December 15, 2015 and interim periods within those years. Early adoption is permitted. The Company does not expect adoption of these updates to have an impact on its consolidated financial statements other than the prescribed presentation.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). The guidance modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the evaluation of fee arrangements and related party relationships in the primary beneficiary determination. For public companies, ASU 2015-02 is effective for annual periods beginning after December 15, 2015 and interim periods within those years using either a retrospective or a modified retrospective approach. Early adoption is permitted. The Company is evaluating the impact that this update may have on its consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board jointly issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of this converged standard is to enable financial statement users to better understand and analyze revenue by replacing current transaction and industry-specific guidance with a more principles-based approach to revenue recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that the entity expects to be entitled to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other guidance such as lease and insurance contracts. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, which allows an additional one year deferral of ASU 2014-09. As a result, ASU 2014-09 is effective for annual periods beginning after December 15, 2017 and interim periods within those years using one of two retrospective application methods. Early adoption would be permitted only for annual reporting periods beginning after December 15, 2016 and interim periods within those years. The Company is evaluating the impact that this update may have on its consolidated financial statements.

### Note 3 – Fair Value Measurements



The Company has categorized its financial assets and financial liabilities that are recorded at fair value into a hierarchy in accordance with Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosure, ("ASC 820") based on whether the inputs to valuation techniques are observable or unobservable. The fair value hierarchy contains three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs represent quoted prices in active markets for identical assets and liabilities as of the measurement date.

Level 2 – Inputs, other than those included in Level 1, represent observable measurements for similar instruments in active markets, or identical or similar instruments in markets that are not active, and observable measurements or market data for instruments with substantially the full term of the asset or liability.

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Level 3 – Inputs represent unobservable measurements, supported by little, if any, market activity, and require considerable assumptions that are significant to the fair value of the asset or liability. Market valuations must often be determined using discounted cash flow methodologies, pricing models or similar techniques based on the Company's assumptions and best judgment.

The asset or liability's fair value within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Under ASC 820, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction at the measurement date. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs and consider assumptions such as inherent risk, transfer restrictions and risk of nonperformance.

#### Fair Value Measurements on a Recurring Basis

The following tables set forth information regarding the Company's financial instruments that are measured at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014:

		Fair Value Measurements at Reporting Date Using		
	Fair Value at September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	\$962	\$—	\$962	\$—
		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	\$20,512	\$20,512	\$—	\$—
Liabilities:				
Interest rate swaps	\$2,226	\$—	\$2,226	\$—

The Company recognizes transfers in and out of every level at the end of each reporting period. There were no transfers between Levels 1, 2, or 3 for any periods presented.

Intangible lease assets and other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities that are classified as available-for-sale. Net unrealized gains and losses on available-for-sale securities that are deemed to be temporary in nature are recorded as a component of accumulated other comprehensive income ("AOCI") in redeemable noncontrolling interests, shareholders' equity and partners' capital, and noncontrolling interests. If a decline in the value of an investment is deemed to be other than temporary, the investment is written down to fair value and an impairment loss is recognized in the current period to the extent of the decline in value. During the three and nine month periods ended September 30, 2015 and 2014, the Company did not record any write-downs related to other-than-temporary impairments.

The Company sold all of its marketable securities during the nine month period ended September 30, 2015 and recognized a realized gain of \$16,560, for the difference between the net proceeds of \$20,755 less the adjusted cost of \$4,195. The Company did not recognize any realized gains or losses related to sales of marketable securities during the nine month period ended September 30, 2014. The fair value of the Company's available-for-sale securities was based on quoted market prices and was classified under Level 1.



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The following is a summary of the available-for-sale securities held by the Company as of December 31, 2014:

	Adjusted Cost	Gross Unrealized		Fair Value
		Gains	Losses	
December 31, 2014:				
Common stocks	\$4,195	\$16,321	\$—	\$20,516

The Company uses interest rate swaps to mitigate the effect of interest rate movements on its variable-rate debt. The Company had four interest rate swaps as of September 30, 2015 and December 31, 2014, respectively, that qualified as hedging instruments and were designated as cash flow hedges. The interest rate swaps are reflected in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets. The swaps have met the effectiveness test criteria since inception and changes in their fair values are, thus, reported in other comprehensive income (loss) ("OCI/L") and are reclassified into earnings in the same period or periods during which the hedged items affect earnings. The fair values of the Company's interest rate hedges, classified under Level 2, are determined based on prevailing market data for contracts with matching durations, current and anticipated LIBOR information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions. See Note 6 for further information regarding the Company's interest rate hedging instruments.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage and other notes receivable is a reasonable estimate of fair value based on Level 2 inputs. The estimated fair value of mortgage and other indebtedness was \$5,091,015 and \$4,947,026 at September 30, 2015 and December 31, 2014, respectively. The fair value was calculated using Level 2 inputs by discounting future cash flows for mortgage and other indebtedness using estimated market rates at which similar loans would be made currently. The carrying amount of mortgage and other indebtedness was \$4,821,475 and \$4,700,460 at September 30, 2015 and December 31, 2014, respectively.

#### Fair Value Measurements on a Nonrecurring Basis

The Company measures the fair value of certain long-lived assets on a nonrecurring basis, through quarterly impairment testing or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company considers both quantitative and qualitative factors in its impairment analysis of long-lived assets. Significant quantitative factors include historical and forecasted information for each property such as net operating income ("NOI"), occupancy statistics and sales levels. Significant qualitative factors used include market conditions, age and condition of the property and tenant mix. Due to the significant unobservable estimates and assumptions used in the valuation of long-lived assets that experience impairment, the Company classifies such long-lived assets under Level 3 in the fair value hierarchy.

#### Long-lived Assets Measured at Fair Value in 2015

During the nine months ended September 30, 2015, the Company recognized a non-cash impairment of real estate of \$2,620 in the second quarter of 2015 when it adjusted the book value of Madison Square, located in Huntsville, AL, to its estimated fair value of \$5,000 based on its sale in April 2015. See Note 4 for further information on this sale.

#### Other Impairment Loss in 2015

During the nine months ended September 30, 2015, the Company recorded an impairment of real estate of \$161 related to the sale of a building at a formerly owned mall for total net proceeds after sales costs of \$750, which was less than its total carrying amount of \$911. We also recognized \$884 of impairment related to the sale of two outparcels in the three and nine months ended September 30, 2015.

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## Note 4 – Acquisitions and Dispositions

## 2015 Acquisition

On June 18, 2015, the Company acquired a 100% interest in Mayfaire Town Center and Community Center, in Wilmington, NC, for a total cash purchase price of \$191,988 utilizing availability on its unsecured lines of credit. The results of Mayfaire Town Center and Community Center are included in the condensed consolidated financial statements beginning on the date of acquisition. This includes \$4,314 and \$4,731 of revenue for the three and nine months ended September 30, 2015, respectively, and \$526 and \$713 in income for the three and nine months ended September 30, 2015, respectively. The pro forma effect of this acquisition was not material. The following table summarizes the final allocation of the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

	Preliminary Purchase Price Allocation	Adjustments <sup>(1)</sup>	Final Purchase Price Allocation
Land	\$40,218	\$(620)	) \$39,598
Buildings and improvements	138,450	1,368	139,818
Tenant improvements	3,382	(51)	) 3,331
Above-market leases	279	114	393
In-place leases	23,138	(465)	) 22,673
Total assets	205,467	346	205,813
Below-market leases	(13,479)	) (346)	) (13,825)
Net assets acquired	\$191,988	\$—	\$191,988

(1) Represents adjustments based on final valuation report.

## 2015 Dispositions

The results of operations of the shopping center properties described below, as well as the related impairment loss, are included in income from continuing operations for all periods presented, as applicable. Net proceeds from the 2015 dispositions were used to reduce the outstanding balances on the Company's credit facilities. The following is a summary of the Company's 2015 dispositions by sale:

Sales Date	Property	Property Type	Location	Gross Sales Price	Net Proceeds	Gain
2015						
Activity:						
July	Madison Plaza	Associated Center	Huntsville, AL	\$5,700	\$5,472	\$2,769
June	EastGate Crossing <sup>(1)</sup>	Associated Center	Cincinnati, OH	21,060	6,118	13,491
April	Madison Square <sup>(2)</sup>	Mall	Huntsville, AL	5,000	4,955	—
				\$31,760	\$16,545	\$16,260

The Company is eligible to receive an additional \$1,740 of proceeds if it leases two tenant spaces of approximately 5,800 square feet by September 2016. See Note 16 for consideration earned subsequent to September 30, 2015.

(1) Additionally, the buyer assumed the mortgage loan on the property, which had a balance of \$14,570 at the time of the sale.

(2) The Company recognized a loss on impairment of real estate of \$2,620 in the second quarter of 2015 when it adjusted the book value of Madison Square to its net sales price.

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## 2014 Dispositions

The results of operations of the properties described below, as well as any gain on extinguishment of debt and impairment losses related to those properties, are included in income from continuing operations for all periods presented, as applicable. Net proceeds from these 2014 dispositions were used to reduce the outstanding balances on the Company's credit facilities, unless otherwise noted. The following is a summary of the Company's 2014 dispositions by sale:

Sales Date	Property	Property Type	Location	Sales Price		Gain
				Gross	Net	
2014						
Activity:						
September	Pemberton Plaza <sup>(1)</sup>	Community Center	Vicksburg, MS	\$1,975	\$1,886	\$—
June	Foothills Plaza Expansion	Associated Center	Maryville, TN	2,640	2,387	937
May	Lakeshore Mall <sup>(2)</sup>	Mall	Sebring, FL	14,000	13,613	—
				\$18,615	\$17,886	\$937

(1) The Company recognized a loss on impairment of real estate of \$497 in the third quarter of 2014 when it adjusted the book value of Pemberton Plaza to its net sales price.

The gross sales price of \$14,000 consisted of a \$10,000 promissory note and \$4,000 in cash. The note receivable was paid off in the third quarter of 2014. The Company recognized a loss on impairment of real estate of \$5,100 in

(2) the first quarter of 2014 when it adjusted the book value of Lakeshore Mall to its estimated fair value of \$13,780

based on a binding purchase agreement signed in April 2014. The sale closed in May 2014 and the Company recognized an impairment loss of \$106 in the second quarter of 2014 as a result of additional closing costs.

The Company recognized a gain on extinguishment of debt for each of the properties listed below, representing the amount by which the outstanding debt balance exceeded the net book value of the property as of the transfer date. The following is a summary of the Company's other 2014 dispositions:

Disposal Date	Property	Property Type	Location	Balance of		Gain on
				Non-recourse	Debt	
2014						
Activity:						
October	Columbia Place <sup>(1)</sup>	Mall	Columbia, SC	\$27,265		\$27,171
September	Chapel Hill Mall <sup>(2)</sup>	Mall	Akron, OH	68,563		18,296
January	Citadel Mall <sup>(3)</sup>	Mall	Charleston, SC	68,169		43,932
				\$163,997		\$