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CBL & ASSOCIATES PROPERTIES INC

Form 10-Q

August 09, 2016

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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 JUNE 30, 2016

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE 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 PARTNERSHIP)

62-1542285

(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 ☒ No ☐

CBL & Associates Limited Partnership 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).

CBL & Associates Properties, Inc. Yes ☒ No ☐

CBL & Associates Limited Partnership 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.

CBL & Associates Properties, Inc.

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

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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 August 2, 2016, there were 170,792,798 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 June 30, 2016 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 June 30, 2016, 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 84.4% limited partner interest for a combined interest held by the Company of 85.4%.

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.

In order to highlight the differences between the Company and the Operating Partnership, this report includes the following sections that provide separate financial and other 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;
- information concerning unregistered sales of equity securities and use of proceeds in Item 2 of Part II 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 &amp; Associates Properties, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

ASSETS <sup>(1)</sup>	June 30, 2016	December 31, 2015
Real estate assets:		
Land	\$851,541	\$ 876,668
Buildings and improvements	7,000,254	7,287,862
	7,851,795	8,164,530
Accumulated depreciation	(2,369,696 )	(2,382,568 )
	5,482,099	5,781,962
Held for sale	65,300	—
Developments in progress	116,469	75,991
Net investment in real estate assets	5,663,868	5,857,953
Cash and cash equivalents	21,139	36,892
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,918 and \$1,923 in 2016 and 2015, respectively	99,905	87,286
Other, net of allowance for doubtful accounts of \$1,275 and \$1,276 in 2016 and 2015, respectively	16,711	17,958
Mortgage and other notes receivable	15,703	18,238
Investments in unconsolidated affiliates	275,101	276,383
Intangible lease assets and other assets	187,709	185,281
	\$6,280,136	\$ 6,479,991
 LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness, net	\$4,540,479	\$ 4,710,628
Accounts payable and accrued liabilities	284,219	344,434
Liabilities related to assets held for sale	38,237	—
Total liabilities <sup>(1)</sup>	4,862,935	5,055,062
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	17,833	25,330
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, 170,789,867 and 170,490,948 issued and outstanding in 2016 and 2015, respectively	1,708	1,705
Additional paid-in capital	1,971,591	1,970,333
Accumulated other comprehensive income	—	1,935
Dividends in excess of cumulative earnings	(699,001 )	(689,028 )
Total shareholders' equity	1,274,323	1,284,970

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Noncontrolling interests	125,045	114,629
Total equity	1,399,368	1,399,599
	\$6,280,136	\$6,479,991

As of June 30, 2016, includes \$601,652 of assets related to consolidated variable interest entities that can be used (1) only to settle obligations of the consolidated variable interest entities and \$470,789 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Company. See Note 5. 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES:</b>				
Minimum rents	\$167,216	\$166,428	\$337,845	\$335,509
Percentage rents	2,692	2,412	7,365	6,549
Other rents	4,819	4,421	9,881	9,592
Tenant reimbursements	70,096	70,224	143,462	142,357
Management, development and leasing fees	4,067	2,663	6,648	5,441
Other	6,075	7,695	12,842	15,304
Total revenues	254,965	253,843	518,043	514,752
<b>OPERATING EXPENSES:</b>				
Property operating	31,060	32,866	69,688	71,770
Depreciation and amortization	72,205	71,239	148,711	147,505
Real estate taxes	22,834	22,549	45,862	45,334
Maintenance and repairs	11,790	12,407	26,338	26,623
General and administrative	16,475	16,215	33,643	33,445
Loss on impairment	43,493	2,781	63,178	2,781
Other	5,052	5,928	14,737	12,404
Total operating expenses	202,909	163,985	402,157	339,862
Income from operations	52,056	89,858	115,886	174,890
Interest and other income	251	389	611	5,663
Interest expense	(53,187 )	(58,754 )	(108,418 )	(117,911 )
Gain on extinguishment of debt	—	256	6	256
Gain on investment	—	—	—	16,560
Equity in earnings of unconsolidated affiliates	64,349	4,881	96,739	8,704
Income tax benefit (provision)	51	(2,472 )	588	(1,556 )
Income from continuing operations before gain on sales of real estate assets	63,520	34,158	105,412	86,606
Gain on sales of real estate assets	9,577	14,173	9,577	14,930
Net income	73,097	48,331	114,989	101,536
Net (income) loss attributable to noncontrolling interests in:				
Operating Partnership	(8,483 )	(4,946 )	(13,428 )	(11,118 )
Other consolidated subsidiaries	(1,695 )	(1,490 )	1,432	(2,359 )
Net income attributable to the Company	62,919	41,895	102,993	88,059
Preferred dividends	(11,223 )	(11,223 )	(22,446 )	(22,446 )
Net income attributable to common shareholders	\$51,696	\$30,672	\$80,547	\$65,613
<b>Basic and diluted per share data attributable to common shareholders:</b>				
Net income attributable to common shareholders	\$0.30	\$0.18	\$0.47	\$0.38
Weighted-average common and potential dilutive common shares outstanding	170,792	170,494	170,731	170,457

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Dividends declared per common share	\$0.265	\$0.265	\$0.530	\$0.530
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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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$73,097	\$48,331	\$114,989	\$101,536
Other comprehensive income (loss):				
Unrealized holding gain on available-for-sale securities	—	—	—	242
Reclassification to net income of realized gain on available-for-sale securities	—	—	—	(16,560 )
Unrealized gain on hedging instruments	—	1,216	877	2,099
Reclassification of hedging effect on earnings	—	(646 )	(443 )	(1,169 )
Total other comprehensive income (loss)	—	570	434	(15,388 )
Comprehensive income	73,097	48,901	115,423	86,148
Comprehensive (income) loss attributable to noncontrolling interests in:				
Operating Partnership	(8,483 )	(5,014 )	(13,491 )	(8,032 )
Other consolidated subsidiaries	(1,695 )	(1,490 )	1,432	(2,359 )
Comprehensive income attributable to the Company	\$62,919	\$42,397	\$103,364	\$75,757

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								
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
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	2,261	—	—	—	—	88,059	88,059	11,216	99,275
Other comprehensive loss	(375 )	—	—	—	(12,302 )	—	(12,302 )	(2,711 )	(15,013 )
Performance stock units	—	—	—	312	—	—	312	—	312
Dividends declared - common stock	—	—	—	—	—	(90,362 )	(90,362 )	—	(90,362 )
Dividends declared - preferred stock	—	—	—	—	—	(22,446 )	(22,446 )	—	(22,446 )
Issuances of 272,498 shares of common stock and restricted common stock	—	—	3	589	—	—	592	—	592
Conversion of Operating Partnership common units to shares of common stock	—	—	—	—	—	—	—	(286 )	(286 )
Cancellation of 40,238 shares of restricted common stock	—	—	(1 )	(730 )	—	—	(731 )	—	(731 )
Amortization of deferred compensation	—	—	—	2,613	—	—	2,613	—	2,613
Contributions from noncontrolling interests	—	—	—	—	—	—	—	15	15
Distributions to noncontrolling	(2,754 )	—	—	—	—	—	—	(19,830 )	(19,830 )

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interests												
Adjustment for noncontrolling interests	311	—	—	1,317	—	—	1,317	(1,628	)	(311	)	
Adjustment to record redeemable noncontrolling interests at redemption value	5,942	—	—	(5,071	)	—	(5,071	)	(871	)	(5,942	)
Balance, June 30, 2015	\$42,944	\$25	\$1,705	\$1,957,228	\$1,109	\$(591,534)	\$1,368,533	\$129,281		\$1,497,814		

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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, 2016	\$ 25,330	\$ 25	\$ 1,705	\$ 1,970,333	\$ 1,935	\$ (689,028)	\$ 1,284,970	\$ 114,629	\$ 1,399,599
Net income (loss)	(1,975)	—	—	—	—	102,993	102,993	13,971	116,964
Other comprehensive income	3	—	—	—	371	—	371	60	431
Performance stock units	—	—	—	516	—	—	516	—	516
Dividends declared - common stock	—	—	—	—	—	(90,520)	(90,520)	—	(90,520)
Dividends declared - preferred stock	—	—	—	—	—	(22,446)	(22,446)	—	(22,446)
Issuances of 327,326 shares of common stock and restricted common stock	—	—	3	385	—	—	388	—	388
Cancellation of 28,407 shares of restricted common stock	—	—	—	(224)	—	—	(224)	—	(224)
Amortization of deferred compensation	—	—	—	1,969	—	—	1,969	—	1,969
Redemptions of Operating Partnership common units	—	—	—	—	—	—	—	(146)	(146)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	10,686	10,686
	(4,211)	—	—	—	—	—	—	(19,163)	(19,163)

Distributions to noncontrolling interests													
Adjustment for noncontrolling interests	1,000	—	—	(3,130	)	(2,306	)	—	(5,436	)	4,436	(1,000	)
Adjustment to record redeemable noncontrolling interests at redemption value	(2,314	)	—	—	1,742	—	—	1,742	572	2,314			
Balance, June 30, 2016	\$ 17,833	\$ 25	\$ 1,708	\$ 1,971,591	\$ —	\$ (699,001)	\$ 1,274,323	\$ 125,045	\$ 1,399,368				

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)

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 114,989	\$ 101,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	148,711	147,505
Net amortization of deferred finance costs and debt premiums	1,476	2,626
Net amortization of intangible lease assets and liabilities	(288)	) 33
Gain on sales of real estate assets	(9,577)	) (14,930 )
Write-off of development projects	33	125
Share-based compensation expense	2,851	3,406
Net realized gain on sale of available-for-sale securities	—	(16,560 )
Loss on impairment	63,178	2,781
Gain on extinguishment of debt	(6)	) (256 )
Equity in earnings of unconsolidated affiliates	(96,739)	) (8,704 )
Distributions of earnings from unconsolidated affiliates	8,582	9,780
Provision for doubtful accounts	2,223	1,938
Change in deferred tax accounts	(320)	) 153
Changes in:		
Tenant and other receivables	(13,595)	) (2,960 )
Other assets	(5,616)	) (833 )
Accounts payable and accrued liabilities	(1,741)	) (6,247 )
Net cash provided by operating activities	214,161	219,393
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to real estate assets	(103,322)	) (94,231 )
Acquisition of real estate assets	—	(191,988 )
(Additions) reductions to restricted cash	(8,064)	) 3,315
Proceeds from sales of real estate assets	88,583	24,233
Additions to mortgage and other notes receivable	(3,259)	) —
Payments received on mortgage and other notes receivable	515	264
Net proceeds from sales of available-for-sale securities	—	20,755
Additional investments in and advances to unconsolidated affiliates	(3,650)	) (7,650 )
Distributions in excess of equity in earnings of unconsolidated affiliates	60,060	9,789
Changes in other assets	(2,498)	) (5,295 )
Net cash provided by (used in) investing activities	28,365	(240,808 )



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

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from mortgage and other indebtedness	\$439,113	\$421,289
Principal payments on mortgage and other indebtedness	(570,838 )	(271,516 )
Additions to deferred financing costs	(79 )	(190 )
Additions to debt issuance costs	(837 )	—
Proceeds from issuances of common stock	87	101
Purchase of noncontrolling interest in the Operating Partnership	(146 )	(286 )
Contributions from noncontrolling interests	10,686	15
Distributions to noncontrolling interests	(23,378 )	(22,588 )
Dividends paid to holders of preferred stock	(22,446 )	(22,446 )
Dividends paid to common shareholders	(90,441 )	(90,301 )
Net cash provided by (used in) financing activities	(258,279 )	14,078
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	 (15,753 )	 (7,337 )
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>36,892</b>	<b>37,938</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$21,139</b>	<b>\$30,601</b>
 <b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest, net of amounts capitalized	\$109,109	\$115,467

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)

ASSETS <sup>(1)</sup>	June 30, 2016	December 31, 2015
Real estate assets:		
Land	\$851,541	\$ 876,668
Buildings and improvements	7,000,254	7,287,862
	7,851,795	8,164,530
Accumulated depreciation	(2,369,696 )	(2,382,568 )
	5,482,099	5,781,962
Held for sale	65,300	—
Developments in progress	116,469	75,991
Net investment in real estate assets	5,663,868	5,857,953
Cash and cash equivalents	21,132	36,887
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,918 and \$1,923 in 2016 and 2015, respectively	99,905	87,286
Other, net of allowance for doubtful accounts of \$1,275 and \$1,276 in 2016 and 2015, respectively	16,662	17,958
Mortgage and other notes receivable	15,703	18,238
Investments in unconsolidated affiliates	275,636	276,946
Intangible lease assets and other assets	187,589	185,162
	\$6,280,495	\$ 6,480,430
<b>LIABILITIES, REDEEMABLE INTERESTS AND CAPITAL</b>		
Mortgage and other indebtedness, net	\$4,540,479	\$ 4,710,628
Accounts payable and accrued liabilities	284,248	344,434
Liabilities related to assets held for sale	38,237	—
Total liabilities <sup>(1)</sup>	4,862,964	5,055,062
Commitments and contingencies (Note 12)		
Redeemable interests:		
Redeemable noncontrolling interests	2,754	5,586
Redeemable common units	15,079	19,744
Total redeemable interests	17,833	25,330
Partners' capital:		
Preferred units	565,212	565,212
Common units:		
General partner	8,319	8,435
Limited partners	812,175	822,383
Accumulated other comprehensive loss	—	(868 )
Total partners' capital	1,385,706	1,395,162
Noncontrolling interests	13,992	4,876
Total capital	1,399,698	1,400,038
	\$6,280,495	\$ 6,480,430

(1) As of June 30, 2016, includes \$601,652 of assets related to consolidated variable interest entities that can only be used to settle obligations of the consolidated variable interest entities and \$470,789 of liabilities of consolidated

variable interest entities for which creditors do not have recourse to the general credit of the Company. See Note 5.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES:</b>				
Minimum rents	\$167,216	\$166,428	\$337,845	\$335,509
Percentage rents	2,692	2,412	7,365	6,549
Other rents	4,819	4,421	9,881	9,592
Tenant reimbursements	70,096	70,224	143,462	142,357
Management, development and leasing fees	4,067	2,663	6,648	5,441
Other	6,075	7,695	12,842	15,304
Total revenues	254,965	253,843	518,043	514,752
<b>OPERATING EXPENSES:</b>				
Property operating	31,060	32,866	69,688	71,770
Depreciation and amortization	72,205	71,239	148,711	147,505
Real estate taxes	22,834	22,549	45,862	45,334
Maintenance and repairs	11,790	12,407	26,338	26,623
General and administrative	16,475	16,215	33,643	33,445
Loss on impairment	43,493	2,781	63,178	2,781
Other	5,052	5,928	14,737	12,404
Total operating expenses	202,909	163,985	402,157	339,862
Income from operations	52,056	89,858	115,886	174,890
Interest and other income	251	389	611	5,663
Interest expense	(53,187 )	(58,754 )	(108,418 )	(117,911 )
Gain on extinguishment of debt	—	256	6	256
Gain on investment	—	—	—	16,560
Equity in earnings of unconsolidated affiliates	64,349	4,881	96,739	8,704
Income tax benefit (provision)	51	(2,472 )	588	(1,556 )
Income from continuing operations before gain on sales of real estate assets	63,520	34,158	105,412	86,606
Gain on sales of real estate assets	9,577	14,173	9,577	14,930
Net income	73,097	48,331	114,989	101,536
Net (income) loss attributable to noncontrolling interests	(1,695 )	(1,490 )	1,432	(2,359 )
Net income attributable to the Operating Partnership	71,402	46,841	116,421	99,177
Distributions to preferred unitholders	(11,223 )	(11,223 )	(22,446 )	(22,446 )
Net income attributable to common unitholders	\$60,179	\$35,618	\$93,975	\$76,731
<b>Basic and diluted per unit data attributable to common unitholders:</b>				
Net income attributable to common unitholders	\$0.30	\$0.18	\$0.47	\$0.38
Weighted-average common and potential dilutive common units outstanding	200,045	199,751	199,986	199,716
Distributions declared per common unit	\$0.273	\$0.273	\$0.546	\$0.546

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$73,097	\$48,331	\$114,989	\$101,536
Other comprehensive income (loss):				
Unrealized holding gain on available-for-sale securities	—	—	—	242
Reclassification to net income of realized gain on available-for-sale securities	—	—	—	(16,560 )
Unrealized gain on hedging instruments	—	1,216	877	2,099
Reclassification of hedging effect on earnings	—	(646 )	(443 )	(1,169 )
Total other comprehensive income (loss)	—	570	434	(15,388 )
Comprehensive income	73,097	48,901	115,423	86,148
Comprehensive (income) loss attributable to noncontrolling interests	(1,695 )	(1,490 )	1,432	(2,359 )
Comprehensive income of the Operating Partnership	\$71,402	\$47,411	\$116,855	\$83,789

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		Accumulated			
	Redeemable Noncontrolling Interests	Redeemable Common Units	Total Redeemable Interests	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	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	1,668	593	2,261	—	—	22,446	781	75,357	—	98,584	691	
Other comprehensive loss	—	(375 )	(375 )	—	—	—	—	—	(15,013 )	(15,013 )	—	
Performance stock units	—	—	—	—	—	—	3	309	—	312	—	
Distributions declared - common units	—	(1,126 )	(1,126 )	—	—	—	(1,066 )	(106,765 )	—	(107,831 )	—	
Distributions declared - preferred units	—	—	—	—	—	(22,446 )	—	—	—	(22,446 )	—	
Issuances of common units	—	—	—	—	273	—	—	592	—	592	—	
Redemption of common units	—	—	—	—	(15 )	—	—	(286 )	—	(286 )	—	
Cancellation of restricted common units	—	—	—	—	(40 )	—	—	(731 )	—	(731 )	—	
Amortization of deferred compensation	—	—	—	—	—	—	27	2,586	—	2,613	—	
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	15	
Distributions to noncontrolling interests	(1,628 )	—	(1,628 )	—	—	—	—	—	—	—	(2,360 )	
Allocation of partners' capital	—	311	311	—	—	—	(56 )	(354 )	—	(410 )	—	
Adjustment to record redeemable interests at redemption value	(291 )	6,233	5,942	—	—	—	(61 )	(5,880 )	—	(5,941 )	—	

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Balance, June  
30, 2015

\$6,204   \$36,740   \$42,944   25,050   199,750   \$565,212   \$9,417   \$918,177   \$(1,830 )   \$1,490,976   \$7,25



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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, 2016	\$5,586	\$19,744	\$25,330	25,050	199,748	\$565,212	\$8,435	\$822,383	\$(868)	\$1,395,162	\$4,876	
Net income	(2,691 )	716	(1,975 )	—	—	22,446	954	92,305	—	115,705	1,259	
Other comprehensive income (loss)	—	3	3	—	—	—	—	—	431	431	—	
Performance stock units	—	—	—	—	—	—	5	511	—	516	—	
Distributions declared - common units	—	(2,286 )	(2,286 )	—	—	—	(1,064 )	(105,790 )	—	(106,854 )	—	
Distributions declared - preferred units	—	—	—	—	—	(22,446 )	—	—	—	(22,446 )	—	
Issuances of common units	—	—	—	—	327	—	—	388	—	388	—	
Redemptions of common units	—	—	—	—	(15 )	—	—	(146 )	—	(146 )	—	
Cancellation of restricted common units	—	—	—	—	(28 )	—	—	(224 )	—	(224 )	—	
Amortization of deferred compensation	—	—	—	—	—	—	20	1,949	—	1,969	—	
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	10,686	
Distributions to noncontrolling interests	(1,925 )	—	(1,925 )	—	—	—	—	—	—	—	(2,829)	
Allocation of partners' capital	—	1,000	1,000	—	—	—	(55 )	(1,491 )	437	(1,109 )	—	
Adjustment to record redeemable interests at redemption	1,784	(4,098 )	(2,314 )	—	—	—	24	2,290	—	2,314	—	

value

Balance, June 30, 2016	\$2,754	\$15,079	\$17,833	25,050	200,032	\$565,212	\$8,319	\$812,175	\$—	\$1,385,706	\$13,992
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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)

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 114,989	\$ 101,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	148,711	147,505
Net amortization of deferred finance costs and debt premiums	1,476	2,626
Net amortization of intangible lease assets and liabilities	(288)	) 33
Gain on sales of real estate assets	(9,577)	) (14,930 )
Write-off of development projects	33	125
Share-based compensation expense	2,851	3,406
Net realized gain on sale of available-for-sale securities	—	(16,560 )
Loss on impairment	63,178	2,781
Gain on extinguishment of debt	(6)	) (256 )
Equity in earnings of unconsolidated affiliates	(96,739)	) (8,704 )
Distributions of earnings from unconsolidated affiliates	8,610	9,778
Provision for doubtful accounts	2,223	1,938
Change in deferred tax accounts	(320)	) 153
Changes in:		
Tenant and other receivables	(13,546)	) (2,960 )
Other assets	(5,616)	) (833 )
Accounts payable and accrued liabilities	(1,820)	) (6,263 )
Net cash provided by operating activities	214,159	219,375
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to real estate assets	(103,322)	) (94,231 )
Acquisition of real estate assets	—	(191,988 )
(Additions) reductions to restricted cash	(8,064)	) 3,315
Proceeds from sales of real estate assets	88,583	24,233
Additions to mortgage and other notes receivable	(3,259)	) —
Payments received on mortgage and other notes receivable	515	264
Net proceeds from sales of available-for-sale securities	—	20,755
Additional investments in and advances to unconsolidated affiliates	(3,650)	) (7,650 )
Distributions in excess of equity in earnings of unconsolidated affiliates	60,060	9,789
Changes in other assets	(2,498)	) (5,295 )
Net cash provided by (used in) investing activities	28,365	(240,808 )

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

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from mortgage and other indebtedness	\$439,113	\$421,289
Principal payments on mortgage and other indebtedness	(570,838 )	(271,516 )
Additions to deferred financing costs	(79 )	(190 )
Additions to debt issuance costs	(837 )	—
Proceeds from issuances of common units	87	101
Redemption of common units	(146 )	(286 )
Contributions from noncontrolling interests	10,686	15
Distributions to noncontrolling interests	(7,044 )	(5,113 )
Distributions to preferred unitholders	(22,446 )	(22,446 )
Distributions to common unitholders	(106,775 )	(107,771 )
Net cash provided by (used in) financing activities	(258,279 )	14,083
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,755 )</b>	<b>(7,350 )</b>
CASH AND CASH EQUIVALENTS, beginning of period	36,887	37,926
CASH AND CASH EQUIVALENTS, end of period	\$21,132	\$30,576
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest, net of amounts capitalized	\$109,109	\$115,467

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"), which is a variable interest entity ("VIE"). In accordance with the guidance in ASC 810, Consolidations, the Company is exempt from providing further disclosures related to the Operating Partnership's VIE classification. 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 VIE. As of June 30, 2016, the Operating Partnership owned interests in the following properties:

	Malls (1)	Associated Centers	Community Centers	Office Buildings (2)	Total
Consolidated properties	70	20	5	8	103
Unconsolidated properties (3)	10	4	5	5	24
Total	80	24	10	13	127

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

(2) Includes CBL's corporate office buildings.

(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 June 30, 2016, the Operating Partnership had interests in the following properties under development:

	Consolidated Properties		Unconsolidated Properties	
	Malls	Community Centers	Malls	Community Centers
Development	1	—	—	—
Expansions	3	1	1	2
Redevelopments	4	—	1	—

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 June 30, 2016, 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 84.4% limited partner interest for a combined interest held by CBL of 85.4%.

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 June 30, 2016, CBL's Predecessor owned a 9.1% limited partner interest and third parties owned a 5.5% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 3.7 million shares of CBL's common

stock at June 30, 2016, 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 June 30, 2016 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, 2015.

### Note 2 – Recent Accounting Pronouncements

#### Accounting Guidance Adopted

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). The guidance modified the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminated the presumption that a general partner should consolidate a limited partnership and affected the evaluation of fee arrangements and related party relationships in the primary beneficiary determination. For public companies, ASU 2015-02 was effective for annual periods beginning after December 15, 2015 and interim periods within those years using either a retrospective or a modified retrospective approach. The adoption of ASU 2015-02 resulted in the identification of several VIEs as discussed in Note 5 but did not alter any of the Company's consolidation conclusions. The adoption of the guidance did not have an impact on the Company's consolidated financial statements other than the additional disclosures that were noted.

#### Accounting Guidance Not Yet Effective

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. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"). The guidance in ASU 2016-08 clarifies the implementation of ASU 2014-09 on principal versus agent consideration and has the same effective date as ASU 2014-09, as deferred by ASU 2015-14. During the quarter ended June 30, 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing, ASU 2016-11, Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting, and ASU 2016-12, Revenue from Contracts with Customers - Narrow Scope Improvements and Practical Expedients. These amendments are intended to improve and clarify the implementation guidance of ASU 2014-09 and have the same effective date as ASU 2014-09, as deferred by ASU 2015-14. The Company is evaluating the impact that these updates may have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"). The objective of ASU 2016-02 is to increase transparency and comparability by recognizing lease assets and liabilities on the balance sheet and disclosing

key information about leasing arrangements. Under ASU 2016-02, lessees will be required to recognize a right-of-use asset and corresponding lease liability on the balance sheet for all leases with terms greater than 12 months. The guidance applied by a lessor under ASU 2016-02 is substantially similar to existing GAAP. For public companies, ASU 2016-02 is effective for annual periods beginning after December 15, 2018 and interim periods within those years. Early adoption is permitted. Lessees and lessors are required to use a modified retrospective transition method for all leases existing at, or entered into after, the date of initial application. Accordingly, they would apply the new accounting model for the earliest year presented in the financial statements. A number of practical expedients may also be elected. The Company expects to adopt ASU 2016-02 as of January 1, 2019 and is evaluating the impact that this update may have on its consolidated financial statements and related disclosures.



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In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 identifies areas for simplification of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. For public companies, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period and may be applied on a modified retrospective basis as a cumulative-effect adjustment to retained earnings as of the date of adoption. Early adoption is permitted. The Company expects to adopt ASU 2016-09 as of January 1, 2017 and is currently assessing the potential impact of adopting the new guidance on its consolidated financial statements and related disclosures. In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The objective of ASU 2016-13 is to provide financial statement users with information about expected credit losses on financial assets and other commitments to extend credit by a reporting entity. The guidance replaces the current incurred loss impairment model, which reflects credit events, with a current expected credit loss model, which recognizes an allowance for credit losses based on an entity's estimate of contractual cash flows not expected to be collected. For public companies that are SEC filers, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Early adoption is permitted. The guidance is to be applied on a modified retrospective basis. The Company expects to adopt ASU 2016-13 as of January 1, 2020 and is evaluating the impact that this update may have on its consolidated financial statements and related disclosures.

### 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.

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 and under current market conditions. 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 table sets forth information regarding the Company's financial instruments that were measured at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of December 31, 2015. The interest rate swaps matured April 1, 2016:

Fair Value Measurements at  
Reporting Date Using

	Quoted	
	Prices	
	in	
Fair	Significant	Significant
Value at	Other	Unobservable
December	Markets	Inputs
31, 2015	for	(Level 3)
	Identical	
	(Level 2)	
	Assets	
	(Level	
	1)	

Liabilities:

Interest rate swaps \$ 434 \$ —\$ 434 \$ —

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.

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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 December 31, 2015, that qualified as hedging instruments and were designated as cash flow hedges. These swaps matured on April 1, 2016. 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 were, thus, reported in other comprehensive income (loss) ("OCI/L") and reclassified into earnings in the same period or periods during which the hedged items affected earnings. The fair values of the Company's interest rate hedges, classified under Level 2, were 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. The estimated fair value of mortgage and other indebtedness was \$4,890,967 and \$4,945,622 at June 30, 2016 and December 31, 2015, 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 \$4,540,479 and \$4,710,628 at June 30, 2016 and December 31, 2015, 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.

The following table sets forth information regarding the Company's assets that are measured at fair value on a nonrecurring basis and related impairment charges:

Fair Value Measurements at Reporting Date Using				
Quoted Prices				
in				
Total	Significant Active Markets for Identical Assets (Level 1)	Significant Other Markets Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Loss

2016:

Long-lived assets \$105,647   \$—   —\$ 105,647   \$62,348

Long-lived Assets Measured at Fair Value in 2016

During the six months ended June 30, 2016, the Company recognized impairments of real estate of \$62,348 when it wrote down six malls and an associated center to their estimated fair values. The following properties are classified in the Malls category for segment reporting purposes: The Lakes Mall and Fashion Square, Wausau Center, Bonita

Lakes Mall, Midland Mall and River Ridge Mall. Bonita Lakes Crossing is classified in the Associated Centers category for segment reporting purposes. See Note 9.

The Company recognized impairments of real estate of \$32,096 in the second quarter of 2016 when it adjusted the book value of The Lakes and Fashion Square, two malls located in Michigan, to their estimated fair value of \$65,447 based upon the sales price of \$66,500 in the signed contract with a third party buyer, adjusted to reflect disposition costs. The revenues of The Lakes and Fashion Square accounted for approximately 1.6% of total consolidated revenues for the trailing twelve months ended June 30, 2016. These properties were classified as held for sale as of June 30, 2016 until their sale in July 2016. See Note 4 and Note 16 for additional information.

In accordance with the Company's quarterly impairment review process, the Company recorded a non-cash impairment of \$10,738 in the second quarter of 2016 related to Wausau Center, a mall located in Wausau, WI, to write-down the depreciated book value to its estimated fair value of \$11,000 as of June 30, 2016. After evaluating redevelopment options, the Company determined that an appropriate risk-adjusted return was not achievable and reduced its holding period. The mall is encumbered by a non-recourse loan with a balance of \$17,689 as of June 30, 2016 and has experienced declining sales and the loss of two anchor stores. The revenues of Wausau Center accounted for approximately 0.4% of total consolidated revenues for the trailing twelve months ended June 30, 2016. The Company notified the lender that it would not make its scheduled July 1, 2016 debt

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payment and is in discussions with the lender to begin the foreclosure process. With the assistance of a third-party appraiser, management determined the fair value of Wausau Center using a discounted cash flow methodology as of June 30, 2016. The discounted cash flow used assumptions including an 10-year holding period with a sale at the end of the holding period, a capitalization rate of 13.25% and a discount rate of 13.0%. As these assumptions are subject to economic and market uncertainties, they are difficult to predict and are subject to future events that may alter the assumptions used or management's estimates of future possible outcomes.

In accordance with the Company's quarterly impairment review process, the Company recorded impairments of real estate of \$5,323 as of March 31, 2016 when it adjusted the book value of Bonita Lakes Mall and Bonita Lakes Crossing ("Bonita Lakes"), located in Meridian, MS, to its estimated fair value of \$27,440, which represented the contractual sales price of \$27,910 with a third party buyer, adjusted to reflect disposition costs. The revenues of Bonita Lakes accounted for approximately 0.7% of total consolidated revenues for the trailing twelve months ended March 31, 2016. See Note 4 for further information on the sale that closed in the second quarter of 2016.

The Company recognized a non-cash impairment of \$4,681 on Midland Mall, located in Midland, MI, when it wrote down the mall to its estimated fair value of \$29,200 as of March 31, 2016. The fair value analysis of Midland Mall was determined using a discounted cash flow methodology as of March 31, 2016. The discounted cash flow used assumptions including an 10-year holding period with a sale at the end of the holding period, a capitalization rate of 9.75% and a discount rate of 11.5%. As these assumptions are subject to economic and market uncertainties, they are difficult to predict and are subject to future events that may alter the assumptions used or management's estimates of future possible outcomes.

The Company plans to exit this investment when the non-recourse loan secured by the property matures later this year and recognized an impairment upon the change in its plans to hold the investment. The revenues of Midland Mall accounted for approximately 0.6% of total consolidated revenues for the trailing twelve months ended March 31, 2016.

The Company sold a 75% interest in its wholly-owned investment in River Ridge Mall to a newly formed joint venture in March 2016 and recognized a non-cash impairment of \$9,510 when it adjusted the book value to its net sales price. The impairment loss includes a \$2,100 reserve for a roof and electrical work that the Company must fund as part of the joint venture agreement. The revenues of River Ridge Mall accounted for approximately 0.6% of total consolidated revenues for the trailing twelve months ended March 31, 2016.

The Company's 25% share of River Ridge, the Company's 25% share in property contributed by the other partner and the \$2,100 reserve noted above is included in investment in unconsolidated affiliates on the Company's consolidated balance sheet at March 31, 2016 with a fair value of \$20,033. See Note 5 for further information.

### Other Impairment Loss in 2016

During the six months ended June 30, 2016, the Company recorded impairments of \$830 related to the sales of three outparcels.

### Note 4 – Acquisitions, Dispositions and Held for Sale

#### Acquisitions

The Company did not acquire any consolidated shopping center properties during the six months ended June 30, 2016. 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 lines of credit. Since the acquisition date, \$8,982 of revenue and \$410 of income was included in the consolidated financial statements for the year ended December 31, 2015. The pro forma effect of this acquisition was not material. Subsequent to its acquisition, the Company sold Mayfaire Community Center in December 2015. See details below.

#### Dispositions and Held for Sale

The Company evaluates its disposals utilizing the guidance in ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Based on its analysis, the Company determined that the dispositions described below do not meet the criteria for classification as discontinued operations and are not considered to be significant disposals based on its quantitative and qualitative evaluation. Thus, the results of operations of the shopping center properties described below, as well as any related impairment loss, are included in income from continuing operations for all periods presented, as applicable.



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## 2016

Net proceeds realized from the 2016 dispositions were used to retire maturing loans and reduce the outstanding balances on the Company's credit facilities. The following is a summary of the Company's 2016 dispositions:

Sales Date	Property	Property Type	Location	Sales Price		Gain
				Gross	Net	
May	Bonita Lakes Mall and Crossing <sup>(1)</sup>	Mall & Associated Center	Meridian, MS	\$ 27,910	\$ 27,770	\$ 140
April	The Crossings at Marshalls Creek	Community Center	Middle Smithfield, PA	23,650	21,799	3,281
March	River Ridge Mall <sup>(2)</sup>	Mall	Lynchburg, VA	33,500	32,959	—
				\$ 85,060	\$ 82,528	\$ 3,421

The Company recognized a loss on impairment of real estate of \$5,323 in the first quarter of 2016 when it adjusted (1) the book value of the properties to their contractual sales price, adjusted to reflect disposition costs. See Note 3 for more information.

In March 2016, the Company sold a 75% interest in River Ridge Mall, located in Lynchburg, VA. In the first quarter of 2016, the Company recorded a non-cash impairment of real estate of \$9,510 to adjust the book value of (2) the property to its net sales price. See Note 3 for more information. The Company retained a 25% ownership interest in the property, which is included in investments in unconsolidated affiliates as of June 30, 2016 on the Company's condensed consolidated balance sheet. See Note 5 for more information on this new joint venture.

See Note 16 for information on the sale of The Lakes Mall and Fashion Square subsequent to June 30, 2016. These properties are classified as held for sale and the \$65,300 on the Company's condensed consolidated balance sheet represents the net investment in real estate assets at June 30, 2016, which approximates 1.0% of the Company's total assets as of June 30, 2016. A nonrecourse loan secured by Fashion Square with a balance of \$38,237 as of June 30, 2016 is classified on the Company's condensed consolidated balance sheet as Liabilities Related to Assets Held for Sale.

## 2015

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:

Sales Date	Property	Property Type	Location	Sales Price		Gain
				Gross	Net	
December	Mayfaire Community Center <sup>(1)</sup>	Community Center <sup>(2)</sup>	Wilmington, NC	\$56,300	\$55,955	\$—
December	Chapel Hill Crossing <sup>(3)</sup>	Associated Center	Akron, OH	2,300	2,178	—
November	Waynesville Commons	Community Center	Waynesville, NC	14,500	14,289	5,071
July	Madison Plaza	Associated Center	Huntsville, AL	5,700	5,472	2,769
June	EastGate Crossing <sup>(4)</sup>	Associated Center	Cincinnati, OH	21,060	20,688	13,491
April	Madison Square <sup>(5)</sup>	Mall	Huntsville, AL	5,000	4,955	—
				\$104,860	\$103,537	\$21,331

(1) The Company recognized a loss on impairment of real estate of \$397 in the fourth quarter of 2015 when it adjusted the book value of Mayfaire Community Center to its net sales price.

(2) This property was combined with Mayfaire Towne Center in the Malls category for segment reporting purposes.

(3) The Company recognized a loss on impairment of real estate of \$1,914 in the fourth quarter of 2015 when it adjusted the book value of Chapel Hill Crossing to its net sales price.

(4) In the fourth quarter of 2015, the Company earned \$625 of contingent consideration related to the sale of EastGate Crossing and received \$574 of net proceeds for the lease of a tenant space. In the second quarter of 2016, the Company earned \$508 of contingent consideration related to lease of an additional specified tenant space and received \$478 of net proceeds. Additionally, the buyer assumed the mortgage loan on the property, which had a

balance of \$14,570 at the time of the sale.

- (5) 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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Note 5 – Unconsolidated Affiliates, Redeemable Interests, Noncontrolling Interests and Cost Method Investments  
Unconsolidated Affiliates

At June 30, 2016, the Company had investments in the following 19 entities, which are accounted for using the equity method of accounting:

Joint Venture	Property Name	Company's Interest
Ambassador Infrastructure, LLC	Ambassador Town Center - Infrastructure Improvements	65.0%
Ambassador Town Center JV, LLC	Ambassador Town Center	65.0%
CBL/T-C, LLC	CoolSprings Galleria, Oak Park Mall and West County Center	50.0%
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center and a portfolio of four office buildings	50.0%
El Paso Outlet Outparcels, LLC	The Outlet Shoppes at El Paso (vacant land)	50.0%
Fremaux Town Center JV, LLC	Fremaux Town Center Phases I and II	65.0%
G&I VIII CBL Triangle LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	10.0%
Governor's Square IB	Governor's Plaza	50.0%
Governor's Square Company	Governor's Square	47.5%
High Pointe Commons, LP	High Pointe Commons	50.0%
High Pointe Commons II-HAP, LP	High Pointe Commons - Christmas Tree Shop	50.0%
JG Gulf Coast Town Center LLC	Gulf Coast Town Center Phase III	50.0%
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.0%
Mall of South Carolina L.P.	Coastal Grand	50.0%
Mall of South Carolina Outparcel L.P.	Coastal Grand Crossing and vacant land	50.0%
Port Orange I, LLC	The Pavilion at Port Orange Phase I and one office building	50.0%
River Ridge Mall JV, LLC	River Ridge Mall	25.0%
West Melbourne I, LLC	Hammock Landing Phases I and II	50.0%
York Town Center, LP	York Town Center	50.0%

Although the Company had majority ownership of certain joint ventures during 2016 and 2015, it evaluated the investments and concluded that the other partners or owners in these joint ventures had substantive participating rights, such as approvals of:

- the pro forma for the development and construction of the project and any material deviations or modifications thereto;
- the site plan and any material deviations or modifications thereto;
- the conceptual design of the project and the initial plans and specifications for the project and any material deviations or modifications thereto;
- any acquisition/construction loans or any permanent financings/refinancings;
- the annual operating budgets and any material deviations or modifications thereto;
- the initial leasing plan and leasing parameters and any material deviations or modifications thereto; and
- any material acquisitions or dispositions with respect to the project.

As a result of the joint control over these joint ventures, the Company accounts for these investments using the equity method of accounting.

Table of Contents**CBL-TRS Joint Venture II, LLC**

In April 2016, CBL-TRS Joint Venture II, LLC, a subsidiary of the Company, and its 50/50 joint venture partner sold Renaissance Center, a community center located in Durham, NC, for a gross sales price of \$129,200 and net proceeds of \$80,324, of which \$40,162 represents each partner's share. In conjunction with the sale, the buyer assumed the \$16,000 loan secured by the property's second phase. The loan secured by the first phase, which had a balance of \$31,641 as of closing, was retired. The unconsolidated affiliate recognized a gain on sale of real estate assets of \$58,876, of which each partner's share was approximately \$29,438.

**G&I VIII CBL Triangle LLC**

In February 2016, G&I VIII CBL Triangle LLC, a newly formed 10/90 joint venture between the Company and DRA Advisors, acquired Triangle Town Center, Triangle Town Commons and Triangle Town Place from an existing 50/50 joint venture, Triangle Town Member LLC, between the Company and The R.E. Jacobs Group for \$174,000, including the assumption of the \$171,092 loan, of which each selling partner's share was \$85,546 as of the closing date. Concurrent with the formation of the new joint venture, the new entity closed on a modification and restructuring of the \$171,092 loan, of which the Company's share is \$17,109. See information on the new loan under Financings below. The Company also made an equity contribution of \$3,060 to the joint venture at closing to fund certain items. The Company continues to lease and manage the properties. The joint venture is accounted for using the equity method of accounting.

The following table summarizes the allocation of the estimated fair values of the tangible and identifiable intangible assets acquired as of the February 2016 acquisition date for the G&I VIII CBL Triangle LLC joint venture:

	2016
Land	\$ 14,421
Buildings and improvements	132,230
Tenant improvements	1,206
Above-market leases	11,599
In-place leases	22,538
Total assets	181,994
Below-market leases	(7,994 )
Net assets acquired	\$ 174,000

**River Ridge Mall JV, LLC**

In the first quarter of 2016, the Company entered into a 25/75 joint venture, River Ridge Mall JV, LLC, ("River Ridge") with an unaffiliated partner. The Company contributed River Ridge Mall, located in Lynchburg, VA, to River Ridge and the partner contributed \$33,500 of cash and an anchor parcel at River Ridge Mall that it already owned having a value of \$7,000. Of the \$33,500 of cash contributed to the Company, after closing costs, \$32,819 was used to reduce outstanding balances on our lines of credit. Following the initial formation, all required future contributions will be funded on a pro rata basis. The joint venture is accounted for using the equity method of accounting.

The Company has accounted for the formation of River Ridge as the sale of a partial interest and recorded a non-cash loss on impairment of real estate of \$9,510 in the first quarter of 2016, which includes a reserve of \$2,100 for future capital expenditures. See [Note 3](#) for more information. The Company continues to manage and lease the mall. The Company has the right to require its 75% partner to purchase its 25% interest in River Ridge if the Company ceases to manage the property at the partner's election.

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Condensed combined financial statement information of these unconsolidated affiliates is as follows:

	As of June 30, 2016	December 31, 2015
<b>ASSETS</b>		
Investment in real estate assets	\$2,184,268	\$2,357,902
Accumulated depreciation	(549,935 )	(677,448 )
	1,634,333	1,680,454
Developments in progress	17,709	59,592
Net investment in real estate assets	1,652,042	1,740,046
Other assets	241,951	168,540
Total assets	\$1,893,993	\$1,908,586

<b>LIABILITIES</b>		
Mortgage and other indebtedness	\$1,333,293	\$1,546,272
Other liabilities	56,261	51,357
Total liabilities	1,389,554	1,597,629

<b>OWNERS' EQUITY</b>		
The Company	236,005	184,868
Other investors	268,434	126,089
Total owners' equity	504,439	310,957
Total liabilities and owners' equity	\$1,893,993	\$1,908,586

	Total for the Three Months Ended June 30,		Company's Share for the Three Months Ended June 30,	
	2016	2015	2016	2015
Total revenues	\$62,854	\$63,111	\$29,836	\$32,958
Depreciation and amortization	(22,248 )	(19,641 )	(9,156 )	(10,303 )
Interest income	332	335	256	257
Interest expense	(14,181 )	(18,589 )	(7,093 )	(9,587 )
Operating expenses	(18,333 )	(17,468 )	(8,421 )	(9,045 )
Gain on extinguishment of debt	63,294	—	—	—
Income from continuing operations before gain on sales of real estate assets	71,718	7,748	5,422	4,280
Gain on sales of real estate assets	60,377	619	58,927	601
Net income	\$132,095	\$8,367	\$64,349	\$4,881

	Total for the Six Months Ended June 30,		Company's Share for the Six Months Ended June 30,	
	2016	2015	2016	2015
Total revenues	\$127,058	\$125,583	\$60,100	\$65,793
Depreciation and amortization	(42,858 )	(39,122 )	(18,334 )	(20,620 )
Interest income	668	667	512	512
Interest expense	(27,670 )	(37,383 )	(13,678 )	(19,272 )
Operating expenses	(38,405 )	(36,774 )	(17,183 )	(18,873 )

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Gain on extinguishment of debt	63,294	—	—	—
Income from continuing operations before gain on sales of real estate assets	82,087	12,971	11,417	7,540
Gain on sales of real estate assets	141,336	1,434	85,322	1,164
Net income	\$223,423	\$14,405	\$96,739	\$8,704

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## Financings

The following table presents the loan activity of the Company's unconsolidated affiliates in 2016:

Date	Property	Stated Interest Rate	Maturity Date <sup>(1)</sup>	Amount Financed or Extended
June	Fremaux Town Center <sup>(2)</sup>	3.70%	(3) June 2026	\$ 73,000
June	Ambassador Town Center <sup>(4)</sup>	3.22%	(5) June 2023	47,660
February	Port Orange <sup>(6)</sup>	LIBOR + 2.0%	February 2018	(7) 58,628
February	Hammock Landing - Phase I <sup>(6)</sup>	LIBOR + 2.0%	February 2018	(7) 43,347 (8)
February	Hammock Landing - Phase II <sup>(6)</sup>	LIBOR + 2.0%	February 2018	(7) 16,757
February	Triangle Town Center, Triangle Town Place, Triangle Town Commons <sup>(9)</sup>	4.00%	(10) December 2018	(11) 171,092

(1) Excludes any extension options.

(2) Net proceeds from the non-recourse loan were used to retire the existing construction loans, secured by Phase I and Phase II of Fremaux Town Center, with an aggregate balance of \$71,125.

The joint venture has an interest rate swap on a notional amount of \$73,000, amortizing to \$52,130 over the term of (3) the swap, related to Fremaux Town Center to effectively fix the interest rate on that variable-rate loan. Therefore, this amount is currently reflected as having a fixed rate.

(4) The non-recourse loan was used to retire an existing construction loan with a balance of \$41,900 and excess proceeds were utilized to fund remaining construction costs.

The joint venture has an interest rate swap on a notional amount of \$47,660, amortizing to \$38,866 over the (5) term of the swap, related to Ambassador Town Center to effectively fix the interest rate on that variable-rate loan. Therefore, this amount is currently reflected as having a fixed rate.

(6) The guaranty was reduced from 25% to 20% in conjunction with the refinancing. See Note 12 for more information.

(7) The loan was modified and extended to February 2018 with a one-year extension option.

(8) The capacity was increased from \$39,475 to fund the expansion.

(9) The loan was amended and modified in conjunction with the sale of the property to a newly formed joint venture. See previous section in Note 5 for additional information.

(10) The interest rate was reduced from 5.74% to 4.00% interest-only payments through the initial maturity date.

(11) The loan was extended to December 2018 with two one-year extension options.

All of the debt on the properties owned by the unconsolidated affiliates is non-recourse, except for Ambassador Infrastructure, West Melbourne and Port Orange. See Note 12 for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

Subsequent to June 30, 2016, an unconsolidated affiliate retired a loan. See Note 16 for more information.

## JG Gulf Coast Town Center LLC - Phases I and II

In June 2016, the foreclosure process was completed and the mortgage lender received title to the mall in satisfaction of the non-recourse mortgage loan secured by Phases I and II of Gulf Coast Town Center in Ft. Myers, FL. Gulf Coast Town Center generated insufficient cash flow to cover the debt service on the mortgage, which had a balance of \$190,800 (of which the Company's 50% share was \$95,400) and a contractual maturity date of July 2017. In the third quarter of 2015, the lender on the loan began receiving the net operating cash flows of the property each month in lieu of scheduled monthly mortgage payments. The Company recognized a gain on the net investment in Gulf Coast of \$29,267, which is included in Equity in Earnings of Unconsolidated Affiliates in the condensed consolidated statements of operations.

Redeemable Interests of the Operating Partnership

Redeemable common units of \$15,079 and \$19,744 at June 30, 2016 and December 31, 2015, respectively, include a partnership interest in the Operating Partnership for which the partnership agreement includes redemption provisions that may require the Operating Partnership to redeem the partnership interest for real property.

Redeemable noncontrolling interests of \$2,754 and \$5,586 at June 30, 2016 and December 31, 2015, respectively, include the aggregate noncontrolling ownership interest in consolidated subsidiaries that is held by third parties and for which the related

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partnership agreements contain redemption provisions at the holder's election that allow for redemption through cash and/or properties. The change relates to the reclassification of AOCI upon the maturity of the Company's hedges. See Note 7.

### Noncontrolling Interests of the Operating Partnership

Noncontrolling interests include the aggregate noncontrolling ownership interest in the Operating Partnership's consolidated subsidiaries that is held by third parties and for which the related partnership agreements either do not include redemption provisions or are subject to redemption provisions that do not require classification outside of permanent equity. Total noncontrolling interests were \$13,992 and \$4,876, as of June 30, 2016 and December 31, 2015, respectively.

### Noncontrolling Interests of the Company

The noncontrolling interests of the Company include the third party interests discussed above as well as the aggregate noncontrolling partnership interest in the Operating Partnership that is not owned by the Company and for which each of the noncontrolling limited partners has the right to exchange all or a portion of its partnership interests for shares of the Company's common stock or, at the Company's election, their cash equivalent. As of June 30, 2016, the Company's total noncontrolling interests of \$125,045 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of \$111,053 and \$13,992, respectively. The Company's total noncontrolling interests at December 31, 2015 of \$114,629 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of \$109,753 and \$4,876, respectively.

In June 2016, the Company elected to pay cash of \$146 to three holders of 14,796 common units in the Operating Partnership upon the exercise of their conversion rights.

### Cost Method Investment

The Company owns a 6.2% noncontrolling interest in subsidiaries of Jinsheng, an established mall operating and real estate development company located in Nanjing, China. The Company accounts for its noncontrolling interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng's shares since they are not publicly traded. The carrying amount of this investment was \$5,325 at June 30, 2016 and December 31, 2015. The noncontrolling interest is reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets.

### Variable Interest Entities

As discussed in Note 2, effective January 1, 2016, the Company adopted ASU 2015-02. As a result, the Operating Partnership and certain of our subsidiaries are deemed to have the characteristics of a VIE primarily because the limited partners of these entities do not collectively possess substantive kick-out or participating rights. However, the Company was not required to consolidate any previously unconsolidated entities or deconsolidate any previously consolidated entities as a result of the change in classification. Accordingly, the adoption of ASU 2015-02 affected disclosure only and did not change amounts within the condensed consolidated financial statements.

The Company consolidates the Operating Partnership, which is a VIE, for which the Company is the primary beneficiary. The Company, through the Operating Partnership, consolidates all VIEs for which it is the primary beneficiary. Generally, a VIE, is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A limited partnership is considered a VIE when the majority of the limited partners unrelated to the general partner possess neither the right to remove the general partner without cause, nor certain rights to participate in the decisions that most significantly affect the financial results of the partnership. In determining whether the Company is the primary beneficiary of a VIE, the Company considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of the Company's investment; the obligation or likelihood for the Company or other investors to provide financial support; and the similarity with and significance to our business activities and the business activities of the other investors.

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The table below lists the Company's VIEs as of June 30, 2016 under ASC 2015-02:

### Consolidated VIEs:

Atlanta Outlet Outparcels, LLC  
 Atlanta Outlet Shoppes, LLC  
 CBL Terrace LP  
 El Paso Outlet Center Holding, LLC  
 El Paso Outlet Center II, LLC  
 Foothills Mall Associates  
 Gettysburg Outlet Center Holding, LLC  
 Gettysburg Outlet Center, LLC  
 High Point Development LP II  
 Jarnigan Road LP  
 Laredo Outlet Shoppes, LLC <sup>(1)</sup>  
 Lebcon Associates  
 Lebcon I, Ltd  
 Lee Partners  
 Louisville Outlet Outparcels, LLC  
 Louisville Outlet Shoppes, LLC  
 Madison Grandview Forum, LLC  
 The Promenade at D'Illberville  
 Statesboro Crossing, LLC  
 Village at Orchard Hills, LLC  
 Woodstock Ga Investments, LLC

### Unconsolidated VIEs: <sup>(2)</sup>

Ambassador Infrastructure, LLC

G&I VIII CBL Triangle LLC <sup>(3)</sup>

In May 2016, the Company formed a 65/35 joint venture, Laredo Outlet Shoppes, LLC, to develop, own and operate The Outlet Shoppes of Laredo in Laredo, TX. The Company initially contributed \$7,714, which consisted of a cash contribution of \$2,434 and its interest in a note receivable of \$5,280 (see Note 8), and the third party partner contributed \$10,686 which included land and construction costs to date. The Company will be responsible (1) for contributing 100% of the capital to fund the project until the pro rata 65% contribution is reached. All subsequent future contributions will be funded on a 65/35 pro rata basis. As of June 30, 2016, the Company had funded \$15,493 of the project costs and only \$4,353 remained to be funded by the company to reach the pro rata 65% contribution level. The Company determined that the new consolidated affiliate represents an interest in a VIE based upon the criteria noted above.

In June 2016, the foreclosure process was completed and Phases I and II of Gulf Coast Town Center in Ft. Myers, FL were returned to the lender in satisfaction of the non-recourse mortgage loan. As of June 30, 2016, the (2) Company determined that the unconsolidated affiliate, JG Gulf Coast Town Center LLC, no longer represents an interest in a VIE based upon the criteria noted above.

Upon, the sale of the Company's 50% interest in Triangle Town Member LLC to G&I VIII CBL Triangle LLC, the (3) Company determined that the new unconsolidated affiliate represents an interest in a VIE based upon the criteria noted above.

### Note 6 – Mortgage and Other Indebtedness

#### Debt of the Company

CBL has no indebtedness. Either the Operating Partnership or one of its consolidated subsidiaries, that it has a direct or indirect ownership interest in, is the borrower on all of the Company's debt.

CBL is a limited guarantor of the 5.25% and 4.60% senior unsecured notes, issued by the Operating Partnership in November 2013 and October 2014, respectively, for losses suffered solely by reason of fraud or willful



misrepresentation by the Operating Partnership or its affiliates. The Company also provides a similar limited guarantee of the Operating Partnership's obligations with respect to its unsecured credit facilities and three unsecured term loans as of June 30, 2016.

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## Debt of the Operating Partnership

Mortgage and other indebtedness consisted of the following:

	June 30, 2016		December 31, 2015	
	Amount	Weighted-Average Interest Rate <sup>(1)</sup>	Amount	Weighted-Average Interest Rate <sup>(1)</sup>
Fixed-rate debt:				
Non-recourse loans on operating properties <sup>(2) (3)</sup>	\$2,613,566	5.66%	\$2,736,538	5.68%
Senior unsecured notes due 2023 <sup>(4)</sup>	446,349	5.25%	446,151	5.25%
Senior unsecured notes due 2024 <sup>(5)</sup>	299,936	4.60%	299,933	4.60%
Other	—	—%	2,686	3.50%
Total fixed-rate debt	3,359,851	5.51%	3,485,308	5.53%
Variable-rate debt:				
Non-recourse term loans on operating properties	19,266	2.88%	16,840	2.49%
Recourse term loans on operating properties	25,921	3.05%	25,635	2.97%
Unsecured lines of credit	388,912	1.65%	398,904	1.54%
Unsecured term loans	800,000	1.89%	800,000	1.82%
Total variable-rate debt	1,234,099	1.86%	1,241,379	1.76%
Total fixed-rate and variable-rate debt	4,593,950	4.53%	4,726,687	4.54%
Unamortized deferred financing costs	(15,234 )		(16,059 )	
Liabilities related to assets held for sale <sup>(3)</sup>	(38,237 )		—	
Total mortgage and other indebtedness	\$4,540,479		\$4,710,628	

(1) Weighted-average interest rate includes the effect of debt premiums and discounts, but excludes amortization of deferred financing costs.

(2) The Operating Partnership had four interest rate swaps on notional amounts totaling \$101,151 as of December 31, 2015 related to four variable-rate loans on consolidated operating properties to effectively fix the interest rate on the respective loans. Therefore, these amounts were reflected in fixed-rate debt at December 31, 2015. The swaps matured April 1, 2016.

(3) Includes a \$38,237 mortgage loan secured by Fashion Square that is classified on the condensed consolidated balance sheets as Liabilities Related to Assets Held for Sale. See Note 4.

(4) The balance is net of an unamortized discount of \$3,651 and \$3,849 as of June 30, 2016 and December 31, 2015, respectively.

(5) The balance is net of an unamortized discount of \$64 and \$67 as of June 30, 2016 and December 31, 2015, respectively.

## Senior Unsecured Notes

In the fourth quarter of 2014, the Operating Partnership issued \$300,000 of senior unsecured notes, which bear interest at 4.60% payable semiannually beginning April 15, 2015 and mature on October 15, 2024 (the “2024 Notes”). In the fourth quarter of 2013, the Operating Partnership issued \$450,000 of senior unsecured notes, which bear interest at 5.25% payable semiannually beginning June 1, 2014 and mature on December 1, 2023 (the “2023 Notes”). The respective interest rate on each of the 2024 Notes and the 2023 Notes (collectively, the “Notes”) will be subject to an increase ranging from 0.25% to 1.00% from time to time if, on or after January 1, 2016 and prior to January 1, 2020, the ratio of secured debt to total assets of the Company, as defined, is greater than 40% but less than 45%.

The Notes are redeemable at the Operating Partnership's election, in whole or in part from time to time, on not less than 30 days' notice to the holders of the Notes to be redeemed. The 2024 Notes may be redeemed prior to July 15, 2024 for cash, at a redemption price equal to the greater of (1) 100% of the aggregate principal amount of the 2024 Notes to be redeemed or (2) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2024 Notes to be redeemed, discounted to the redemption date on a semi-annual basis at

the treasury rate, as defined, plus 0.35%, plus accrued and unpaid interest. On or after July 15, 2024, the 2024 Notes are redeemable for cash at a redemption price equal to 100% of the aggregate principal amount of the 2024 Notes to be redeemed plus accrued and unpaid interest. The 2023 Notes may be redeemed prior to September 1, 2023 for cash, at a redemption price equal to the greater of (1) 100% of the aggregate principal amount of the 2023 Notes to be redeemed or (2) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2023 Notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate, as defined, plus 0.40%, plus accrued and unpaid interest. On or after September 1, 2023, the 2023 Notes are redeemable for cash at a redemption price equal to 100% of the aggregate principal amount of the 2023 Notes to be redeemed plus accrued and unpaid interest.

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## Unsecured Lines of Credit

The Company has three unsecured credit facilities that are used for retirement of secured loans, repayment of term loans, working capital, construction and acquisition purposes, as well as issuances of letters of credit.

Each facility bears interest at LIBOR plus a spread of 0.875% to 1.55% based on the Company's credit ratings. As of June 30, 2016, the Company's interest rate based on its credit ratings of Baa3 from Moody's Investors Service ("Moody's") and BBB- from Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") is LIBOR plus 120 basis points. Additionally, the Company pays an annual facility fee that ranges from 0.125% to 0.3% of the total capacity of each facility based on the Company's credit ratings. As of June 30, 2016, the annual facility fee was 0.25%. The three unsecured lines of credit had a weighted-average interest rate of 1.65% at June 30, 2016.

The following summarizes certain information about the Company's unsecured lines of credit as of June 30, 2016:

	Total Capacity	Total Outstanding	Maturity Date	Extended Maturity Date
Wells Fargo - Facility A	\$500,000	\$ —	(1) October 2019	October 2020 <sup>(2)</sup>
First Tennessee	100,000	3,200	(3) October 2019	October 2020 <sup>(4)</sup>
Wells Fargo - Facility B	500,000	385,712	(5) October 2020	
	\$1,100,000	\$ 388,912		

(1) There was \$350 outstanding on this facility as of June 30, 2016 for letters of credit. Up to \$30,000 of the capacity on this facility can be used for letters of credit.

(2) The extension option is at the Company's election, subject to continued compliance with the terms of the facility, and has a one-time extension fee of 0.15% of the commitment amount of the credit facility.

(3) Up to \$20,000 of the capacity on this facility can be used for letters of credit.

(4) The extension option on the facility is at the Company's election, subject to continued compliance with the terms of the facility, and has a one-time extension fee of 0.20% of the commitment amount of the credit facility.

(5) There was an additional \$5,464 outstanding on this facility as of June 30, 2016 for letters of credit. Up to \$30,000 of the capacity on this facility can be used for letters of credit.

## Unsecured Term Loans

The Company has a \$350,000 unsecured term loan, which bears interest at a variable rate of LIBOR plus 1.35% based on the Company's current credit ratings. The loan matures in October 2017 and has two one-year extension options for an outside maturity date of October 2019. At June 30, 2016, the outstanding borrowings of \$350,000 had an interest rate of 1.80%.

The Company has a \$400,000 unsecured term loan, which bears interest at a variable rate of LIBOR plus 1.50% based on the Company's current credit ratings and has a maturity date of July 2018. At June 30, 2016, the outstanding borrowings of \$400,000 had an interest rate of 1.96%.

The Company also has a \$50,000 unsecured term loan that matures in February 2018. The term loan bears interest at a variable rate of LIBOR plus 1.55%. At June 30, 2016, the outstanding borrowings of \$50,000 had a weighted-average interest rate of 2.02%.

## Covenants and Restrictions

The agreements for the unsecured lines of credit, the Notes and unsecured term loans contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum unencumbered asset and interest ratios, maximum secured indebtedness ratios, maximum total indebtedness ratios and limitations on cash flow distributions. The Company believes that it was in compliance with all financial covenants and restrictions at June 30, 2016.

## Unsecured Lines of Credit and Unsecured Term Loans

The following presents the Company's compliance with key covenant ratios, as defined, of the credit facilities and term loans as of June 30, 2016:

Ratio	Required	Actual
Debt to total asset value	< 60%	48%
Unencumbered asset value to unsecured indebtedness	> 1.6x	2.3x

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Unencumbered NOI to unsecured interest expense	> 1.75x	5.0x
EBITDA to fixed charges (debt service)	> 1.5x	2.4x

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The agreements for the unsecured credit facilities and unsecured term loans described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to \$50,000 or any non-recourse indebtedness greater than \$150,000 (for the Company's ownership share) of CBL, the Operating Partnership or any Subsidiary, as defined, will constitute an event of default under the agreements to the credit facilities. The credit facilities also restrict the Company's ability to enter into any transaction that could result in certain changes in its ownership or structure as described under the heading "Change of Control/Change in Management" in the agreements for the credit facilities.

**Senior Unsecured Notes**

The following presents the Company's compliance with key covenant ratios, as defined, of the Notes as of June 30, 2016:

Ratio	Required	Actual
Total debt to total assets	< 60%	53%
Secured debt to total assets	< 45% <sup>(1)</sup>	31%
Total unencumbered assets to unsecured debt	> 150%	223%
Consolidated income available for debt service to annual debt service charge	> 1.5x	3.3x

(1) On January 1, 2020 and thereafter, secured debt to total assets must be less than 40%.

The agreements for the Notes described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to \$50,000 of the Operating Partnership will constitute an event of default under the Notes.

**Other**

Several of the Company's malls/open-air centers, associated centers and community centers, in addition to the corporate office building, are owned by special purpose entities, created as a requirement under certain loan agreements, that are included in the Company's condensed consolidated financial statements. The sole business purpose of the special purpose entities is to own and operate these properties. The real estate and other assets owned by these special purpose entities are restricted under the loan agreements in that they are not available to settle other debts of the Company. However, so long as the loans are not under an event of default, as defined in the loan agreements, the cash flows from these properties, after payments of debt service, operating expenses and reserves, are available for distribution to the Company.

**Mortgages on Operating Properties****Financings**

The following table presents the loans, secured by the related consolidated properties, that were entered into in 2016:

Date	Property	Stated Interest Rate	Maturity Date	Amount Financed or Extended
June	Hamilton Place <sup>(1)</sup>	4.36%	June 2026	\$ 107,000
June	Statesboro Crossing <sup>(2)</sup>	LIBOR + 1.80%	June 2017	<sup>(3)</sup> 11,035
April	Hickory Point Mall <sup>(4)</sup>	5.85%	December 2018 <sup>(5)</sup>	27,446

Proceeds from the non-recourse loan were used to retire an existing \$98,181 loan with an interest rate of 5.86%

(1) that was scheduled to mature in August 2016. The Company's share of excess proceeds was used to reduce outstanding balances on its credit facilities.

(2) The loan was modified to extend the maturity date.

(3) The loan has a one-year extension option at the Company's election for an outside maturity date of June 2018.

(4) The loan was modified to extend the maturity date. The interest rate remains at 5.85% but future amortization payments have been eliminated.

(5) The loan has a one-year extension option at the Company's election for an outside maturity date of December 2019.



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## Construction Loan

The following table presents the construction loan, secured by the related consolidated property, that was entered into in 2016:

Date	Property	Stated Interest Rate	Maturity Date	Amount Financed
May	The Outlet Shoppes of Laredo <sup>(1)</sup>	LIBOR + 2.5% <sup>(2)</sup>	May 2019	(3)\$91,300

(1) The consolidated 65/35 joint venture closed on a construction loan for the development of The Outlet Shoppes of Laredo, an outlet center located in Laredo, TX. The Operating Partnership has guaranteed 100% of the loan.

(2) The interest rate will be reduced to LIBOR + 2.25% once the development is complete and certain debt and operational metrics are met.

(3) The loan has one 24-month extension option, which is at the joint venture's election, for an outside maturity date of May 2021.

## Loan Repayments

The Company repaid the following fixed-rate loans, secured by the related consolidated Properties, in 2016:

Date	Property	Interest Rate at Repayment Date	Scheduled Maturity Date	Principal Balance Repaid
June	Hamilton Place <sup>(1)</sup>	5.86%	August 2016	\$98,181
April	CoolSprings Crossing <sup>(2)</sup>	4.54%	April 2016	11,313
April	Gunbarrel Pointe <sup>(2)</sup>	4.64%	April 2016	10,083
April	Stroud Mall <sup>(2)</sup>	4.59%	April 2016	30,276
April	York Galleria <sup>(2)</sup>	4.55%	April 2016	48,337

(1) The Company retired the loan with proceeds from a \$107,000 fixed-rate non-recourse loan. See above for more information.

(2) The Company used proceeds from dispositions to retire the loan.

## Scheduled Principal Payments

As of June 30, 2016, the scheduled principal amortization and balloon payments on all of the Company's consolidated mortgage and other indebtedness, excluding extensions available at the Company's option, are as follows:

2016	\$327,669
2017	842,315
2018	710,542
2019	126,468
2020	596,563
Thereafter	1,990,738
	4,594,295
Net unamortized premiums (345 )	
	\$4,593,950

Of the \$327,669 of scheduled principal payments in 2016, \$298,485 relates to the maturing principal balance of four operating property loans and \$29,184 represents scheduled principal amortization. Excluding the loans secured by Midland Mall and Chesterfield Mall, which the Company plans to return to the respective lenders, the Company has \$126,464 of loan maturities in 2016 that must be retired or refinanced. The Company is in discussions with the lender to extend the maturity date of the \$71,265 loan secured by Greenbrier Mall and plans to retire the \$55,199 loan secured by Dakota Square Mall using availability on its credit lines.

The Company's mortgage and other indebtedness had a weighted-average maturity of 4.2 years as of June 30, 2016 and 4.4 years as of December 31, 2015.

## Interest Rate Hedge Instruments



The Company records its derivative instruments in its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

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

The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in AOCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

The Company's outstanding interest rate derivatives, that were designated as cash flow hedges of interest rate risk, matured on April 1, 2016.

Instrument Type	Location in Condensed Consolidated Balance Sheet	Notional Amount Outstanding	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 6/30/16	Fair Value at 12/31/15	Maturity Date
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	\$48,337 (amortizing to \$48,337)	1-month LIBOR	2.149%	\$ —	—\$ (208 )	April 2016
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	\$30,276 (amortizing to \$30,276)	1-month LIBOR	2.187%	—	(133 )	April 2016
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	\$11,313 (amortizing to \$11,313)	1-month LIBOR	2.142%	—	(48 )	April 2016
Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	\$10,083 (amortizing to \$10,083)	1-month LIBOR	2.236%	—	(45 )	April 2016
					\$ —	—\$ (434 )	

Hedging Instrument	Gain Recognized in OCI/L (Effective Portion) Three Months Ended June 30, 2016	Location of Losses Reclassified from AOCI into Earnings (Effective Portion)	Loss Recognized in Earnings (Effective Portion) Three Months Ended June 30, 2016	Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion) Three Months Ended June 30, 2015
Interest rate contracts	\$ —\$ 570				