

CBL & ASSOCIATES PROPERTIES INC

Form 10-Q

November 10, 2014

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

Or

o 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 <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| CBL & Associates Limited Partnership | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

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 <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| CBL & Associates Limited Partnership | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

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

CBL & Associates Properties, Inc.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
CBL & Associates Limited Partnership

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

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

CBL & Associates Properties, Inc. Yes No

CBL & Associates Limited Partnership Yes No

As of November 5, 2014, there were 170,262,878 shares of CBL & Associates Properties, Inc.'s common stock, par value \$0.01 per share, outstanding.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2014 of CBL & Associates Properties, Inc. and CBL & Associates Limited Partnership. Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company is a real estate investment trust ("REIT") whose stock is traded on the New York Stock Exchange. The Company is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2014, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.3% limited partner interest for a combined interest held by the Company of 85.3%.

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

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

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

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

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

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

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

- condensed consolidated financial statements;

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

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

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

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PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements

CBL & Associates Properties, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

| ASSETS | September 30, 2014 | December 31, 2013 |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Real estate assets: | | |
| Land | \$848,596 | \$858,619 |
| Buildings and improvements | 7,138,545 | 7,125,512 |
| | 7,987,141 | 7,984,131 |
| Accumulated depreciation | (2,183,912) | (2,056,357) |
| | 5,803,229 | 5,927,774 |
| Developments in progress | 151,670 | 139,383 |
| Net investment in real estate assets | 5,954,899 | 6,067,157 |
| Cash and cash equivalents | 45,071 | 65,500 |
| Receivables: | | |
| Tenant, net of allowance for doubtful accounts of \$2,412 and \$2,379 in 2014 and 2013, respectively | 79,960 | 79,899 |
| Other, net of allowance for doubtful accounts of \$1,158 and \$1,241 in 2014 and 2013, respectively | 24,412 | 23,343 |
| Mortgage and other notes receivable | 19,513 | 30,424 |
| Investments in unconsolidated affiliates | 269,964 | 277,146 |
| Intangible lease assets and other assets | 238,892 | 242,502 |
| | \$6,632,711 | \$6,785,971 |
| LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY | | |
| Mortgage and other indebtedness | \$4,711,421 | \$4,857,523 |
| Accounts payable and accrued liabilities | 347,382 | 333,875 |
| Total liabilities | 5,058,803 | 5,191,398 |
| Commitments and contingencies (Note 12) | | |
| Redeemable noncontrolling interests | 34,843 | 34,639 |
| 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, 170,260,669 and 170,048,144 issued and outstanding in 2014 and 2013, respectively | 1,703 | 1,700 |
| Additional paid-in capital | 1,962,187 | 1,967,644 |
| Accumulated other comprehensive income | 12,805 | 6,325 |
| Dividends in excess of cumulative earnings | (587,000) | (570,781) |
| Total shareholders' equity | 1,389,720 | 1,404,913 |
| Noncontrolling interests | 149,345 | 155,021 |

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| | | |
|--------------|-------------|-------------|
| Total equity | 1,539,065 | 1,559,934 |
| | \$6,632,711 | \$6,785,971 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------------------------------------------------|-------------------------------------|------------|------------------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| REVENUES: | | | | |
| Minimum rents | \$ 169,097 | \$ 167,703 | \$ 506,005 | \$ 498,632 |
| Percentage rents | 3,060 | 2,797 | 8,490 | 9,847 |
| Other rents | 3,813 | 3,837 | 13,708 | 13,503 |
| Tenant reimbursements | 71,330 | 70,576 | 214,322 | 213,524 |
| Management, development and leasing fees | 3,228 | 3,118 | 9,176 | 9,042 |
| Other | 8,186 | 9,518 | 25,189 | 27,067 |
| Total revenues | 258,714 | 257,549 | 776,890 | 771,615 |
| OPERATING EXPENSES: | | | | |
| Property operating | 36,668 | 38,375 | 112,206 | 111,170 |
| Depreciation and amortization | 72,488 | 68,941 | 212,180 | 206,115 |
| Real estate taxes | 22,202 | 22,607 | 65,638 | 66,411 |
| Maintenance and repairs | 12,603 | 13,387 | 41,391 | 40,808 |
| General and administrative | 9,474 | 10,160 | 35,583 | 36,459 |
| Loss on impairment | 497 | — | 17,753 | 21,038 |
| Other | 7,396 | 6,371 | 21,331 | 21,217 |
| Total operating expenses | 161,328 | 159,841 | 506,082 | 503,218 |
| Income from operations | 97,386 | 97,708 | 270,808 | 268,397 |
| Interest and other income | 463 | 8,809 | 3,535 | 10,197 |
| Interest expense | (60,214) | (56,341) | (179,997) | (173,374) |
| Gain (loss) on extinguishment of debt | 18,282 | — | 60,942 | (9,108) |
| Gain on investment | — | — | — | 2,400 |
| Equity in earnings of unconsolidated affiliates | 3,936 | 2,270 | 11,038 | 7,618 |
| Income tax provision | (3,083) | (271) | (4,266) | (854) |
| Income from continuing operations before gain on sales of real estate assets | 56,770 | 52,175 | 162,060 | 105,276 |
| Gain on sales of real estate assets | 434 | 58 | 3,513 | 1,058 |
| Income from continuing operations | 57,204 | 52,233 | 165,573 | 106,334 |
| Operating income (loss) of discontinued operations | 78 | (8,346) | (480) | (5,195) |
| Gain on discontinued operations | (2) | 290 | 88 | 1,162 |
| Net income | 57,280 | 44,177 | 165,181 | 102,301 |
| Net income attributable to noncontrolling interests in: | | | | |
| Operating Partnership | (6,576) | (4,075) | (18,847) | (7,602) |
| Other consolidated subsidiaries | (1,362) | (5,778) | (3,740) | (18,338) |
| Net income attributable to the Company | 49,342 | 34,324 | 142,594 | 76,361 |
| Preferred dividends | (11,223) | (11,223) | (33,669) | (33,669) |
| Net income attributable to common shareholders | \$ 38,119 | \$ 23,101 | \$ 108,925 | \$ 42,692 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|--------------------------------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|---|
| | 2014 | 2013 | 2014 | 2013 | |
| Basic and diluted per share data attributable to common shareholders: | | | | | |
| Income from continuing operations, net of preferred dividends | \$0.22 | \$0.18 | \$0.64 | \$0.28 | |
| Discontinued operations | 0.00 | (0.04 |) 0.00 | (0.02 |) |
| Net income attributable to common shareholders | \$0.22 | \$0.14 | \$0.64 | \$0.26 | |
| Weighted-average common and potential dilutive common shares outstanding | 170,262 | 169,906 | 170,242 | 166,048 | |
| Amounts attributable to common shareholders: | | | | | |
| Income from continuing operations, net of preferred dividends | \$38,054 | \$29,965 | \$109,259 | \$46,116 | |
| Discontinued operations | 65 | (6,864 |) (334 |) (3,424 |) |
| Net income attributable to common shareholders | \$38,119 | \$23,101 | \$108,925 | \$42,692 | |
| Dividends declared per common share | \$0.245 | \$0.230 | \$0.735 | \$0.690 | |

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 | | Nine Months Ended | |
|-------------------------------------------------------------------|--------------------|----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net income | \$57,280 | \$44,177 | \$165,181 | \$102,301 |
| Other comprehensive income (loss): | | | | |
| Unrealized holding gain (loss) on available-for-sale securities | 4,044 | (1,749) | 6,240 | (2,000) |
| Unrealized gain (loss) on hedging instruments | 1,148 | (451) | 3,021 | (289) |
| Reclassification of hedging effect on earnings | (551) | 568) | (1,650) | 1,687) |
| Total other comprehensive income (loss) | 4,641 | (1,632) | 7,611 | (602) |
| Comprehensive income | 61,921 | 42,545 | 172,792 | 101,699 |
| Comprehensive income attributable to noncontrolling interests in: | | | | |
| Operating Partnership | (8,071) | (3,831) | (19,978) | (7,520) |
| Other consolidated subsidiaries | (1,362) | (5,778) | (3,740) | (18,338) |
| Comprehensive income attributable to the Company | \$52,488 | \$32,936 | \$149,074 | \$75,841 |

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 | | | | 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, 2013 | \$ 40,248 | \$ 25 | \$ 1,613 | \$ 1,773,630 | \$ 6,986 | \$(453,561) | \$ 1,328,693 | \$ 192,404 | \$ 1,521,097 |
| Net income | 3,182 | — | — | — | — | 76,361 | 76,361 | 8,114 | 84,475 |
| Other comprehensive loss | (4) | — | — | — | (520) | — | (520) | (78) | (598) |
| Redemption of redeemable noncontrolling preferred joint venture interest | — | — | — | 10,000 | — | — | 10,000 | — | 10,000 |
| Dividends declared - common stock | — | — | — | — | — | (115,870) | (115,870) | — | (115,870) |
| Dividends declared - preferred stock | — | — | — | — | — | (33,669) | (33,669) | — | (33,669) |
| Issuances of 8,635,715 shares of common stock and restricted common stock | — | — | 86 | 209,445 | — | — | 209,531 | — | 209,531 |
| Cancellation of 39,475 shares of restricted common stock | — | — | — | (711) | — | — | (711) | — | (711) |
| Amortization of deferred compensation | — | — | — | 2,287 | — | — | 2,287 | — | 2,287 |
| Distributions to noncontrolling interests | (4,980) | — | — | — | — | — | — | (22,889) | (22,889) |
| Adjustment for noncontrolling interests | 3,803 | — | — | (32,135) | — | — | (32,135) | 28,388 | (3,747) |
| Adjustment to record | (5,079) | — | — | 4,551 | — | — | 4,551 | 528 | 5,079 |

redeemable

noncontrolling
interests at
redemption value

Acquire
controlling

interest in shopping center property

| | | | | | | | | | |
|--|---|---|---|---|---|---|---|-----------|-----------|
| | — | — | — | — | — | — | — | (41,444) | (41,444) |
|--|---|---|---|---|---|---|---|-----------|-----------|

Balance,

| | | | | | | | | | |
|--------------------|-----------|-------|----------|--------------|----------|-------------|--------------|------------|--------------|
| September 30, 2013 | \$ 37,170 | \$ 25 | \$ 1,699 | \$ 1,967,067 | \$ 6,466 | \$(526,739) | \$ 1,448,518 | \$ 165,023 | \$ 1,613,541 |
|--------------------|-----------|-------|----------|--------------|----------|-------------|--------------|------------|--------------|

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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, 2014 | \$ 34,639 | \$ 25 | \$ 1,700 | \$ 1,967,644 | \$ 6,325 | \$(570,781) | \$ 1,404,913 | \$ 155,021 | \$ 1,559,934 |
| Net income | 3,323 | — | — | — | — | 142,594 | 142,594 | 19,264 | 161,858 |
| Other comprehensive income | 60 | — | — | — | 6,480 | — | 6,480 | 1,071 | 7,551 |
| Dividends declared - common stock | — | — | — | — | — | (125,144) | (125,144) | — | (125,144) |
| Dividends declared - preferred stock | — | — | — | — | — | (33,669) | (33,669) | — | (33,669) |
| Issuances of 243,648 shares of common stock and restricted common stock | — | — | 3 | 636 | — | — | 639 | — | 639 |
| Cancellation of 31,123 shares of restricted common stock | — | — | — | (369) | — | — | (369) | — | (369) |
| Amortization of deferred compensation | — | — | — | 2,837 | — | — | 2,837 | — | 2,837 |
| Redemptions of Operating Partnership common units | — | — | — | — | — | — | — | (4,609) | (4,609) |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 938 | 938 |
| Distributions to noncontrolling interests | (7,083) | — | — | — | — | — | — | (26,997) | (26,997) |
| | 2,193 | — | — | (6,865) | — | — | (6,865) | 4,672 | (2,193) |

Adjustment for
noncontrolling
interests

Adjustment to
record
redeemable

| | | | | | | | | | | | | | |
|--|-------|---|---|--------|---|---|---|--------|---|-----|---|--------|---|
| | 1,711 | — | — | (1,696 |) | — | — | (1,696 |) | (15 |) | (1,711 |) |
|--|-------|---|---|--------|---|---|---|--------|---|-----|---|--------|---|

noncontrolling
interests at
redemption value

Balance,

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

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

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

| | Nine Months Ended September 30, | |
|-----------------------------------------------------------------------------------|------------------------------------|-----------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$165,181 | \$102,301 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 212,180 | 212,752 |
| Net amortization of deferred finance costs and debt premiums | 4,557 | 3,651 |
| Net amortization of intangible lease assets and liabilities | 535 | (111) |
| Gain on sales of real estate assets | (3,513) | (1,058) |
| Gain on investment | — | (2,400) |
| Gain on discontinued operations | (88) | (1,162) |
| Write-off of development projects | 81 | 141 |
| Share-based compensation expense | 3,318 | 2,308 |
| Loss on impairment | 17,753 | 21,038 |
| Loss on impairment from discontinued operations | 681 | 5,234 |
| (Gain) loss on extinguishment of debt | (60,942) | 9,108 |
| Equity in earnings of unconsolidated affiliates | (11,038) | (7,618) |
| Distributions of earnings from unconsolidated affiliates | 14,563 | 11,225 |
| Provision for doubtful accounts | 2,684 | 1,459 |
| Change in deferred tax accounts | 1,241 | 1,666 |
| Changes in: | | |
| Tenant and other receivables | (4,629) | (7,430) |
| Other assets | (5,637) | 754 |
| Accounts payable and accrued liabilities | (7,593) | (15,821) |
| Net cash provided by operating activities | 329,334 | 336,037 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to real estate assets | (195,418) | (233,202) |
| Acquisition of real estate assets | — | (26,444) |
| Additions to restricted cash | (362) | (2,909) |
| Proceeds from sales of real estate assets | 15,865 | 219,800 |
| Additions to mortgage and other notes receivable | — | (2,700) |
| Payments received on mortgage and other notes receivable | 20,911 | 3,743 |
| Proceeds from sales of investments and available-for-sale securities | — | 15,877 |
| Additional investments in and advances to unconsolidated affiliates | (12,541) | (31,969) |
| Distributions in excess of equity in earnings of unconsolidated affiliates | 34,695 | 8,706 |
| Changes in other assets | (6,563) | (14,295) |
| Net cash used in investing activities | (143,413) | (63,393) |

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

| | Nine Months Ended September 30, | |
|--------------------------------------------------------------------------|------------------------------------|-----------------|
| | 2014 | 2013 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from mortgage and other indebtedness | \$429,596 | \$1,696,913 |
| Principal payments on mortgage and other indebtedness | (437,092) | (1,568,874) |
| Additions to deferred financing costs | (233) | (3,173) |
| Prepayment fees on extinguishment of debt | (1,249) | (8,708) |
| Proceeds from issuances of common stock | 131 | 209,510 |
| Purchase of noncontrolling interest in the Operating Partnership | (4,609) | — |
| Redemption of redeemable noncontrolling preferred joint venture interest | — | (408,577) |
| Contributions from noncontrolling interests | 11 | — |
| Distributions to noncontrolling interests | (34,145) | (47,450) |
| Dividends paid to holders of preferred stock | (33,669) | (33,669) |
| Dividends paid to common shareholders | (125,091) | (112,276) |
| Net cash used in financing activities | (206,350) | (276,304) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (20,429) | (3,660) |
| CASH AND CASH EQUIVALENTS, beginning of period | 65,500 | 78,248 |
| CASH AND CASH EQUIVALENTS, end of period | \$45,071 | \$74,588 |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid for interest, net of amounts capitalized | \$171,661 | \$168,092 |

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

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

| | September 30, 2014 | December 31, 2013 |
|------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| ASSETS | | |
| Real estate assets: | | |
| Land | \$848,596 | \$858,619 |
| Buildings and improvements | 7,138,545 | 7,125,512 |
| | 7,987,141 | 7,984,131 |
| Accumulated depreciation | (2,183,912) | (2,056,357) |
| | 5,803,229 | 5,927,774 |
| Developments in progress | 151,670 | 139,383 |
| Net investment in real estate assets | 5,954,899 | 6,067,157 |
| Cash and cash equivalents | 45,015 | 65,486 |
| Receivables: | | |
| Tenant, net of allowance for doubtful accounts of \$2,412 and \$2,379 in 2014 and 2013, respectively | 79,960 | 79,899 |
| Other, net of allowance for doubtful accounts of \$1,158 and \$1,241 in 2014 and 2013, respectively | 24,412 | 23,343 |
| Mortgage and other notes receivable | 19,513 | 30,424 |
| Investments in unconsolidated affiliates | 270,524 | 277,701 |
| Intangible lease assets and other assets | 238,771 | 242,383 |
| | \$6,633,094 | \$6,786,393 |
| LIABILITIES, REDEEMABLE INTERESTS AND CAPITAL | | |
| Mortgage and other indebtedness | \$4,711,421 | \$4,857,523 |
| Accounts payable and accrued liabilities | 347,366 | 333,876 |
| Total liabilities | 5,058,787 | 5,191,399 |
| Commitments and contingencies (Note 12) | | |
| Redeemable interests: | | |
| Redeemable noncontrolling interests | 6,120 | 5,883 |
| Redeemable common units | 28,723 | 28,756 |
| Total redeemable interests | 34,843 | 34,639 |
| Partners' capital: | | |
| Preferred units | 565,212 | 565,212 |
| Common units: | | |
| General partner | 9,592 | 9,866 |
| Limited partners | 934,608 | 961,175 |
| Accumulated other comprehensive income | 12,474 | 4,923 |
| Total partners' capital | 1,521,886 | 1,541,176 |
| Noncontrolling interests | 17,578 | 19,179 |
| Total capital | 1,539,464 | 1,560,355 |
| | \$6,633,094 | \$6,786,393 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------------------------------------------------|-------------------------------------|------------|------------------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| REVENUES: | | | | |
| Minimum rents | \$ 169,097 | \$ 167,703 | \$ 506,005 | \$ 498,632 |
| Percentage rents | 3,060 | 2,797 | 8,490 | 9,847 |
| Other rents | 3,813 | 3,837 | 13,708 | 13,503 |
| Tenant reimbursements | 71,330 | 70,576 | 214,322 | 213,524 |
| Management, development and leasing fees | 3,228 | 3,118 | 9,176 | 9,042 |
| Other | 8,186 | 9,518 | 25,189 | 27,067 |
| Total revenues | 258,714 | 257,549 | 776,890 | 771,615 |
| OPERATING EXPENSES: | | | | |
| Property operating | 36,668 | 38,375 | 112,206 | 111,170 |
| Depreciation and amortization | 72,488 | 68,941 | 212,180 | 206,115 |
| Real estate taxes | 22,202 | 22,607 | 65,638 | 66,411 |
| Maintenance and repairs | 12,603 | 13,387 | 41,391 | 40,808 |
| General and administrative | 9,474 | 10,160 | 35,583 | 36,459 |
| Loss on impairment | 497 | — | 17,753 | 21,038 |
| Other | 7,396 | 6,371 | 21,331 | 21,217 |
| Total operating expenses | 161,328 | 159,841 | 506,082 | 503,218 |
| Income from operations | 97,386 | 97,708 | 270,808 | 268,397 |
| Interest and other income | 463 | 8,809 | 3,535 | 10,197 |
| Interest expense | (60,214) | (56,341) | (179,997) | (173,374) |
| Gain (loss) on extinguishment of debt | 18,282 | — | 60,942 | (9,108) |
| Gain on investment | — | — | — | 2,400 |
| Equity in earnings of unconsolidated affiliates | 3,936 | 2,270 | 11,038 | 7,618 |
| Income tax provision | (3,083) | (271) | (4,266) | (854) |
| Income from continuing operations before gain on sales of real estate assets | 56,770 | 52,175 | 162,060 | 105,276 |
| Gain on sales of real estate assets | 434 | 58 | 3,513 | 1,058 |
| Income from continuing operations | 57,204 | 52,233 | 165,573 | 106,334 |
| Operating income (loss) of discontinued operations | 78 | (8,346) | (480) | (5,195) |
| Gain on discontinued operations | (2) | 290 | 88 | 1,162 |
| Net income | 57,280 | 44,177 | 165,181 | 102,301 |
| Net income attributable to noncontrolling interests | (1,362) | (5,778) | (3,740) | (18,338) |
| Net income attributable to the Operating Partnership | 55,918 | 38,399 | 161,441 | 83,963 |
| Distributions to preferred unitholders | (11,223) | (11,223) | (33,669) | (33,669) |
| Net income attributable to common unitholders | \$ 44,695 | \$ 27,176 | \$ 127,772 | \$ 50,294 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Basic and diluted per unit data attributable to common unitholders: | | | | |
| Income from continuing operations, net of preferred distributions | \$0.22 | \$0.17 | \$0.64 | \$0.27 |
| Discontinued operations | 0.00 | (0.03) | 0.00 | (0.01) |
| Net income attributable to common unitholders | \$0.22 | \$0.14 | \$0.64 | \$0.26 |
| Weighted-average common and potential dilutive common units outstanding | 199,631 | 199,451 | 199,699 | 195,594 |
| Amounts attributable to common unitholders: | | | | |
| Income from continuing operations, net of preferred distributions | \$44,630 | \$34,040 | \$128,106 | \$53,718 |
| Discontinued operations | 65 | (6,864) | (334) | (3,424) |
| Net income attributable to common unitholders | \$44,695 | \$27,176 | \$127,772 | \$50,294 |
| Distributions declared per common unit | \$0.253 | \$0.230 | \$0.759 | \$0.690 |

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 | | Nine Months Ended | |
|-----------------------------------------------------------------|--------------------|----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net income | \$57,280 | \$44,177 | \$165,181 | \$102,301 |
| Other comprehensive income: | | | | |
| Unrealized holding gain (loss) on available-for-sale securities | 4,044 | (1,749) | 6,240 | (2,000) |
| Unrealized loss on hedging instruments | 1,148 | (451) | 3,021 | (289) |
| Reclassification of hedging effect on earnings | (551) | 568) | (1,650) | 1,687) |
| Total other comprehensive income (loss) | 4,641 | (1,632) | 7,611 | (602) |
| Comprehensive income | 61,921 | 42,545 | 172,792 | 101,699 |
| Comprehensive income attributable to noncontrolling interests | (1,362) | (5,778) | (3,740) | (18,338) |
| Comprehensive income of the Operating Partnership | \$60,559 | \$36,767 | \$169,052 | \$83,361 |

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 Other Comprehensive Income | Total Partners' Capital | Noncon Interests |
|-----------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------|----------------------------------|--------------------|-----------------|--------------------|--------------------|---------------------|-------------------------------------------------|-------------------------------|---------------------|
| | Redeemable Noncontrolling Interests | Redeemable Common Units | Total Redeemable Interests | Preferred Units | Common Units | Preferred Units | General Partner | Limited Partners | | | |
| Balance, January 1, 2013 | \$6,413 | \$33,835 | \$40,248 | 25,050 | 190,855 | \$565,212 | \$9,904 | \$877,363 | \$5,685 | \$1,458,164 | \$63,496 |
| Net income | 2,780 | 402 | 3,182 | — | — | 33,669 | 523 | 49,369 | — | 83,561 | 914 |
| Other comprehensive loss | — | (4 |) (4 |) — | — | — | — | — | (598 |) (598 |) — |
| Redemption of redeemable noncontrolling preferred joint venture interest | — | — | — | — | — | — | 105 | 9,895 | — | 10,000 | — |
| Distributions declared - common units | — | — | — | — | — | — | (1,388 |) (114,482 |) — | (115,870 |) — |
| Distributions declared - preferred units | — | — | — | — | — | (33,669 |) — | — | — | (33,669 |) — |
| Issuances of common units | — | — | — | — | 8,635 | — | — | 209,531 | — | 209,531 | — |
| Cancellation of restricted common stock | — | — | — | — | (39 |) — | — | (711 |) — | (711 |) — |
| Amortization of deferred compensation | — | — | — | — | — | — | 24 | 2,263 | — | 2,287 | — |