CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
November 09, 2018
Table of Contents

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018
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 x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

CBL & Associates Properties, Inc.	Yes x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
CBL & Associates Properties, Inc.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Emerging growth company o

CBL & Associates Limited Partnership

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

Emerging growth company o

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

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 o	No x
CBL & Associates Limited Partnership	Yes o	No x

As of November 2, 2018, there were 172,669,152 shares of CBL & Associates Properties, Inc.'s common stock, par value $0.01 per share, outstanding.

Table of Contents

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2018 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, 2018, 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 85.6% limited partner interest for a combined interest held by the Company of 86.6%.

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 6 - Unconsolidated Affiliates and Noncontrolling Interests; Note 7 - Mortgage and Other Indebtedness, Net; and Note 10 - 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.

Table of Contents

CBL & Associates Properties, Inc.
CBL & Associates Limited Partnership
Table of Contents

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements
CBL & Associates Properties, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

ASSETS [1]	September 30, 2018	December 31, 2017
Real estate assets:		
Land	$ 818,436	$ 813,390
Buildings and improvements	6,544,019	6,723,194
	7,362,455	7,536,584
Accumulated depreciation	(2,514,904)	(2,465,095)
	4,847,551	5,071,489
Held for sale	14,807	—
Developments in progress	73,530	85,346
Net investment in real estate assets	4,935,888	5,156,835
Cash and cash equivalents	20,695	32,627
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,214 and $2,011 in 2018 and 2017, respectively	77,095	83,552
Other, net of allowance for doubtful accounts of $838 in 2017	7,109	7,570
Mortgage and other notes receivable	8,171	8,945
Investments in unconsolidated affiliates	275,884	249,192
Intangible lease assets and other assets	166,177	166,087
	$ 5,491,019	$ 5,704,808
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness, net	$ 4,115,808	$ 4,230,845
Accounts payable and accrued liabilities	247,490	228,650
Total liabilities [1]	4,363,298	4,459,495
Commitments and contingencies (Note 7 and Note 11)		
Redeemable noncontrolling interests	6,228	8,835
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, 172,663,873 and 171,088,778 issued and outstanding in 2018 and 2017, respectively	1,727	1,711
Additional paid-in capital	1,967,882	1,974,537
Dividends in excess of cumulative earnings	(927,416)	(836,269)
Total shareholders' equity	1,042,218	1,140,004
Noncontrolling interests	79,275	96,474
Total equity	1,121,493	1,236,478
	$ 5,491,019	$ 5,704,808

(1) As of September 30, 2018, includes $621,616 of assets related to consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and $414,923 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Company. See Note 6.

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

1

Table of Contents

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,	
	2018	2017	2018	2017
REVENUES:				
Minimum rents	$142,248	$150,836	$441,097	$468,195
Percentage rents	2,429	3,000	6,610	7,127
Other rents	2,347	3,790	6,898	11,171
Tenant reimbursements	55,374	63,055	172,601	192,577
Management, development and leasing fees	2,658	2,718	8,022	8,747
Other	1,822	1,251	6,448	4,079
Total revenues	206,878	224,650	641,676	691,896
OPERATING EXPENSES:				
Property operating	30,004	31,295	92,357	96,250
Depreciation and amortization	71,945	71,732	217,261	225,461
Real estate taxes	19,433	21,573	61,737	62,343
Maintenance and repairs	11,475	11,254	36,713	36,322
General and administrative	16,051	13,568	47,845	45,402
Loss on impairment	14,600	24,935	84,644	71,401
Other	38	132	377	5,151
Total operating expenses	163,546	174,489	540,934	542,330
Income from operations	43,332	50,161	100,742	149,566
Interest and other income (loss)	283	(200)	714	1,235
Interest expense	(55,194)	(53,913)	(163,164)	(165,179)
Gain on extinguishment of debt	—	6,452	—	30,927
Gain (loss) on investments	—	(354)	387	(6,197)
Income tax benefit (provision)	(1,034)	1,064	1,846	4,784
Equity in earnings of unconsolidated affiliates	1,762	4,706	9,869	16,404
Income (loss) from continuing operations before gain on sales of real estate assets	(10,851)	7,916	(49,606)	31,540
Gain on sales of real estate assets	7,880	1,383	15,998	86,904
Net income (loss)	(2,971)	9,299	(33,608)	118,444
Net (income) loss attributable to noncontrolling interests in:				
Operating Partnership	1,628	81	8,978	(8,702)
Other consolidated subsidiaries	(24)	(415)	369	(25,266)
Net income (loss) attributable to the Company	(1,367)	8,965	(24,261)	84,476
Preferred dividends	(11,223)	(11,223)	(33,669)	(33,669)
Net income (loss) attributable to common shareholders	$(12,590)	$(2,258)	$(57,930)	$50,807
Basic and diluted per share data attributable to common shareholders:				
Net income (loss) attributable to common shareholders	$(0.07)	$(0.01)	$(0.34)	$0.30
Weighted-average common and potential dilutive common shares outstanding	172,665	171,096	172,426	171,060

Dividends declared per common share	$0.200	$0.265	$0.600	$0.795

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

Table of Contents

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	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2017	$ 17,996	$25	$ 1,708	$1,969,059	$(742,078)	$1,228,714	$ 112,138	$1,340,852
Net income	481	—	—	—	84,476	84,476	33,487	117,963
Dividends declared - common stock	—	—	—	—	(136,021)	(136,021)	—	(136,021)
Dividends declared - preferred stock	—	—	—	—	(33,669)	(33,669)	—	(33,669)
Issuances of 342,008 shares of common stock and restricted common stock	—	—	3	471	—	474	—	474
Cancellation of 37,758 shares of restricted common stock	—	—	—	(327)	—	(327)	—	(327)
Performance stock units	—	—	—	1,115	—	1,115	—	1,115
Amortization of deferred compensation	—	—	—	3,135	—	3,135	—	3,135
Redemptions of Operating Partnership common units	—	—	—	—	—	—	(593)	(593)
Adjustment for noncontrolling interests	2,224	—	—	(5,635)	—	(5,635)	3,413	(2,222)
Adjustment to record redeemable noncontrolling interests at redemption value	(4,196)	—	—	3,629	—	3,629	566	4,195
Deconsolidation of investment	—	—	—	—	—	—	(2,232)	(2,232)
Contributions from noncontrolling interests	—	—	—	—	—	—	263	263
Distributions to noncontrolling interests	(3,429)	—	—	—	—	—	(48,477)	(48,477)
Balance, September 30, 2017	$ 13,076	$25	$ 1,711	$1,971,447	$(827,292)	$1,145,891	$ 98,565	$1,244,456

3

Table of Contents

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

		Equity						
		Shareholders' Equity						
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2018	$ 8,835	$25	$ 1,711	$1,974,537	$(836,269)	$1,140,004	$ 96,474	$1,236,478
Net loss	(515)	—	—	—	(24,261)	(24,261)	(8,832)	(33,093)
Cumulative effect of accounting change (Note 2)	—	—	—	—	11,433	11,433	—	11,433
Cumulative effect of accounting change (Note 3)	—	—	—	—	58,947	58,947	—	58,947
Dividends declared - common stock	—	—	—	—	(103,597)	(103,597)	—	(103,597)
Dividends declared - preferred stock	—	—	—	—	(33,669)	(33,669)	—	(33,669)
Issuances of 716,290 shares of common stock and restricted common stock	—	—	7	810	—	817	—	817
Conversion of 915,338 Operating Partnership common units into shares of common stock	—	—	9	3,050	—	3,059	(3,059)	—
Redemptions of Operating Partnership common units	—	—	—	—	—	—	(2,246)	(2,246)
Cancellation of 56,533 shares of restricted common stock	—	—	—	(249)	—	(249)	—	(249)
Performance stock units	—	—	—	993	—	993	—	993
Forfeiture of performance stock units	—	—	—	(250)	—	(250)	—	(250)
Amortization of deferred compensation	—	—	—	2,846	—	2,846	—	2,846
Adjustment for noncontrolling interests	3,033	—	—	(15,329)	—	(15,329)	12,296	(3,033)
Adjustment to record redeemable noncontrolling	(1,696)	—	—	1,474	—	1,474	222	1,696

interests at redemption value								
Contributions from noncontrolling interests	—	—	—	—	—	—	7,859	7,859
Distributions to noncontrolling interests	(3,429)	—	—	—	—	—	(23,439)	(23,439)
Balance, September 30, 2018	$ 6,228	$25	$ 1,727	$1,967,882	$(927,416)	$1,042,218	$ 79,275	$1,121,493

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

Table of Contents

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

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(33,608)	$118,444
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	217,261	225,461
Net amortization of deferred financing costs, debt premiums and discounts	5,451	2,904
Net amortization of intangible lease assets and liabilities	198	(1,235)
Gain on sales of real estate assets	(15,998)	(86,904)
(Gain) loss on investments	(387)	6,197
Write-off of development projects	377	5,151
Share-based compensation expense	4,310	4,569
Loss on impairment	84,644	71,401
Gain on extinguishment of debt	—	(30,927)
Equity in earnings of unconsolidated affiliates	(9,869)	(16,404)
Distributions of earnings from unconsolidated affiliates	12,574	16,361
Provision for doubtful accounts	3,273	3,353
Change in deferred tax accounts	(2,706)	2,911
Changes in:		
Tenant and other receivables	3,493	(4,893)
Other assets	(4,640)	(12,368)
Accounts payable and accrued liabilities	16,034	32,929
Net cash provided by operating activities	280,407	336,950
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(107,981)	(149,302)
Acquisitions of real estate assets	(3,301)	(79,799)
Proceeds from sales of real estate assets	70,419	201,291
Proceeds from disposal of investment	—	9,000
Additions to mortgage and other notes receivable	—	(4,118)
Payments received on mortgage and other notes receivable	775	3,443
Additional investments in and advances to unconsolidated affiliates	(2,243)	(17,199)
Distributions in excess of equity in earnings of unconsolidated affiliates	33,909	15,743
Changes in other assets	(5,903)	(14,471)
Net cash used in investing activities	(14,325)	(35,412)

Table of Contents

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

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	$530,679	$1,097,006
Principal payments on mortgage and other indebtedness	(649,904)	(1,159,144)
Additions to deferred financing costs	(238)	(5,003)
Prepayment fees on extinguishment of debt	—	(8,871)
Proceeds from issuances of common stock	117	150
Purchases of noncontrolling interests in the Operating Partnership	(2,246)	(593)
Contributions from noncontrolling interests	7,859	263
Payment of tax withholdings for restricted stock awards	(271)	(322)
Distributions to noncontrolling interests	(27,156)	(51,925)
Dividends paid to holders of preferred stock	(33,669)	(33,669)
Dividends paid to common shareholders	(103,280)	(135,941)
Net cash used in financing activities	(278,109)	(298,049)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(12,027)	3,489
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	68,172	65,069
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,558
Reconciliation from condensed consolidated statements of cash flows to condensed consolidated balance sheets:		
Cash and cash equivalents	$20,695	$31,351
Restricted cash [1]:		
Restricted cash	4,681	944
Mortgage escrows	30,769	36,263
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,558
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$136,301	$150,816

(1) Included in intangible lease assets and other assets in the condensed consolidated balance sheets.

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

Table of Contents

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

ASSETS [1]	September 30, 2018	December 31, 2017
Real estate assets:		
Land	$ 818,436	$ 813,390
Buildings and improvements	6,544,019	6,723,194
	7,362,455	7,536,584
Accumulated depreciation	(2,514,904)	(2,465,095)
	4,847,551	5,071,489
Held for sale	14,807	—
Developments in progress	73,530	85,346
Net investment in real estate assets	4,935,888	5,156,835
Cash and cash equivalents	20,695	32,627
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,214 and $2,011 in 2018 and 2017, respectively	77,095	83,552
Other, net of allowance for doubtful accounts of $838 in 2017	7,061	7,520
Mortgage and other notes receivable	8,171	8,945
Investments in unconsolidated affiliates	276,418	249,722
Intangible lease assets and other assets	166,057	165,967
	$ 5,491,385	$ 5,705,168
LIABILITIES, REDEEMABLE INTERESTS AND CAPITAL		
Mortgage and other indebtedness, net	$ 4,115,808	$ 4,230,845
Accounts payable and accrued liabilities	247,607	228,720
Total liabilities [1]	4,363,415	4,459,565
Commitments and contingencies (Note 7 and Note 11)		
Redeemable common units	6,228	8,835
Partners' capital:		
Preferred units	565,212	565,212
Common units:		
General partner	5,540	6,735
Limited partners	539,191	655,120
Total partners' capital	1,109,943	1,227,067
Noncontrolling interests	11,799	9,701
Total capital	1,121,742	1,236,768
	$ 5,491,385	$ 5,705,168

(1) As of September 30, 2018, includes $621,616 of assets related to consolidated variable interest entities that can only be used to settle obligations of the consolidated variable interest entities and $414,923 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Operating Partnership. See Note 6.

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

Table of Contents

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,	
	2018	2017	2018	2017
REVENUES:				
Minimum rents	$142,248	$150,836	$441,097	$468,195
Percentage rents	2,429	3,000	6,610	7,127
Other rents	2,347	3,790	6,898	11,171
Tenant reimbursements	55,374	63,055	172,601	192,577
Management, development and leasing fees	2,658	2,718	8,022	8,747
Other	1,822	1,251	6,448	4,079
Total revenues	206,878	224,650	641,676	691,896
OPERATING EXPENSES:				
Property operating	30,004	31,295	92,357	96,250
Depreciation and amortization	71,945	71,732	217,261	225,461
Real estate taxes	19,433	21,573	61,737	62,343
Maintenance and repairs	11,475	11,254	36,713	36,322
General and administrative	16,051	13,568	47,845	45,402
Loss on impairment	14,600	24,935	84,644	71,401
Other	38	132	377	5,151
Total operating expenses	163,546	174,489	540,934	542,330
Income from operations	43,332	50,161	100,742	149,566
Interest and other income (loss)	283	(200)	714	1,235
Interest expense	(55,194)	(53,913)	(163,164)	(165,179)
Gain on extinguishment of debt	—	6,452	—	30,927
Gain (loss) on investments	—	(354)	387	(6,197)
Income tax benefit (provision)	(1,034)	1,064	1,846	4,784
Equity in earnings of unconsolidated affiliates	1,762	4,706	9,869	16,404
Income (loss) from continuing operations before gain on sales of real estate assets	(10,851)	7,916	(49,606)	31,540
Gain on sales of real estate assets	7,880	1,383	15,998	86,904
Net income (loss)	(2,971)	9,299	(33,608)	118,444
Net (income) loss attributable to noncontrolling interests	(24)	(415)	369	(25,266)
Net income (loss) attributable to the Operating Partnership	(2,995)	8,884	(33,239)	93,178
Distributions to preferred unitholders	(11,223)	(11,223)	(33,669)	(33,669)
Net income (loss) attributable to common unitholders	$(14,218)	$(2,339)	$(66,908)	$59,509
Basic and diluted per unit data attributable to common unitholders:				
Net income (loss) attributable to common unitholders	$(0.07)	$(0.01)	$(0.34)	$0.30
Weighted-average common and potential dilutive common units outstanding	199,432	199,321	199,630	199,325
Distributions declared per common unit	$0.209	$0.273	$0.627	$0.819

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

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

		Number of			Common Units				
	Redeemable Common Units	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	Total Partners' Capital	Noncontrolling Interests	Total Capital
Balance, January 1, 2017	$ 17,996	25,050	199,085	$ 565,212	$ 7,781	$ 756,083	$ 1,329,076	$ 12,103	$ 1,341,179
Net income	481	—	—	33,669	607	58,421	92,697	25,266	117,963
Distributions declared - common units	(3,429)	—	—	—	(1,600)	(158,124)	(159,724)	—	(159,724)
Distributions declared - preferred units	—	—	—	(33,669)	—	—	(33,669)	—	(33,669)
Issuances of common units	—	—	342	—	—	474	474	—	474
Redemptions of common units	—	—	(73)	—	—	(593)	(593)	—	(593)
Cancellation of restricted common stock	—	—	(38)	—	—	(327)	(327)	—	(327)
Performance stock units	—	—	—	—	11	1,104	1,115	—	1,115
Amortization of deferred compensation	—	—	—	—	32	3,103	3,135	—	3,135
Allocation of partners' capital	2,224	—	—	—	(68)	(2,191)	(2,259)	—	(2,259)
Adjustment to record redeemable interests at redemption value	(4,196)	—	—	—	43	4,152	4,195	—	4,195
Deconsolidation of investment	—	—	—	—	—	—	—	(2,232)	(2,232)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	263	263
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(24,774)	(24,774)
Balance, September 30, 2017	$ 13,076	25,050	199,316	$ 565,212	$ 6,806	$ 662,102	$ 1,234,120	$ 10,626	$ 1,244,746

Table of Contents

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

		Number of			Common Units				
	Redeemable Common Units	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	Total Partners' Capital	Noncontrolling Interests	Total Capital
Balance, January 1, 2018	$ 8,835	25,050	199,297	$ 565,212	$ 6,735	$ 655,120	$ 1,227,067	$ 9,701	$ 1,236,768
Net income (loss)	(515)	—	—	33,669	(682)	(65,711)	(32,724)	(369)	(33,093)
Cumulative effect of accounting change (Note 2)	—	—	—	—	117	11,316	11,433	—	11,433
Cumulative effect of accounting change (Note 3)	—	—	—	—	605	58,342	58,947	—	58,947
Distributions declared - common units	(3,429)	—	—	—	(1,207)	(120,436)	(121,643)	—	(121,643)
Distributions declared - preferred units	—	—	—	(33,669)	—	—	(33,669)	—	(33,669)
Issuances of common units	—	—	715	—	—	817	817	—	817
Redemptions of common units	—	—	(527)	—	—	(2,246)	(2,246)	—	(2,246)
Cancellation of restricted common stock	—	—	(57)	—	—	(249)	(249)	—	(249)
Performance stock units	—	—	—	—	10	983	993	—	993
Forfeiture of performance stock units	—	—	—	—	(3)	(247)	(250)	—	(250)
Amortization of deferred compensation	—	—	—	—	29	2,817	2,846	—	2,846
Allocation of partners' capital	3,033	—	—	—	(81)	(2,994)	(3,075)	—	(3,075)
Adjustment to record redeemable interests at redemption value	(1,696)	—	—	—	17	1,679	1,696	—	1,696
	—	—	—	—	—	—	—	7,859	7,859

Contributions from noncontrolling interests									
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(5,392)	(5,392)
Balance, September 30, 2018	$ 6,228	25,050	199,428	$565,212	$5,540	$539,191	$1,109,943	$ 11,799	$1,121,742

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

10

Table of Contents

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

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(33,608)	$118,444
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	217,261	225,461
Net amortization of deferred financing costs, debt premiums and discounts	5,451	2,904
Net amortization of intangible lease assets and liabilities	198	(1,235)
Gain on sales of real estate assets	(15,998)	(86,904)
(Gain) loss on investments	(387)	6,197
Write-off of development projects	377	5,151
Share-based compensation expense	4,310	4,569
Loss on impairment	84,644	71,401
Gain on extinguishment of debt	—	(30,927)
Equity in earnings of unconsolidated affiliates	(9,869)	(16,404)
Distributions of earnings from unconsolidated affiliates	12,569	16,362
Provision for doubtful accounts	3,273	3,353
Change in deferred tax accounts	(2,706)	2,911
Changes in:		
Tenant and other receivables	3,493	(4,893)
Other assets	(4,640)	(12,368)
Accounts payable and accrued liabilities	16,039	32,935
Net cash provided by operating activities	280,407	336,957
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(107,981)	(149,302)
Acquisition of real estate assets	(3,301)	(79,799)
Proceeds from sales of real estate assets	70,419	201,291
Proceeds from disposal of investment	—	9,000
Additions to mortgage and other notes receivable	—	(4,118)
Payments received on mortgage and other notes receivable	775	3,443
Additional investments in and advances to unconsolidated affiliates	(2,243)	(17,199)
Distributions in excess of equity in earnings of unconsolidated affiliates	33,909	15,743
Changes in other assets	(5,903)	(14,471)
Net cash used in investing activities	(14,325)	(35,412)

Table of Contents

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

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	$530,679	$1,097,006
Principal payments on mortgage and other indebtedness	(649,904)	(1,159,144)
Additions to deferred financing costs	(238)	(5,003)
Prepayment fees on extinguishment of debt	—	(8,871)
Proceeds from issuances of common units	117	150
Redemptions of common units	(2,246)	(593)
Contributions from noncontrolling interests	7,859	263
Payment of tax withholdings for restricted stock awards	(271)	(322)
Distributions to noncontrolling interests	(8,821)	(28,203)
Distributions to preferred unitholders	(33,669)	(33,669)
Distributions to common unitholders	(121,615)	(159,663)
Net cash used in financing activities	(278,109)	(298,049)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(12,027)	3,496
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	68,172	65,061
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,557

Reconciliation from condensed consolidated statements of cash flows to condensed consolidated balance sheets:		
Cash and cash equivalents	$20,695	$31,350
Restricted cash [(1)]:		
Restricted cash	4,681	944
Mortgage escrows	30,769	36,263
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,557
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$136,301	$150,816

(1) Included in intangible lease assets and other assets in the condensed consolidated balance sheets.

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

Table of Contents

CBL & Associates Properties, Inc.
CBL & 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

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.

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 26 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"). 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 September 30, 2018, the Operating Partnership owned interests in the following properties:

		Other Properties			
	Malls [1]	Associated Centers	Community Centers	Office Buildings/Other	Total
Consolidated properties	59	20	3	5 [2]	87
Unconsolidated properties [3]	8	3	4	1	16
Total	67	23	7	6	103

(1) Category consists of regional malls, open-air centers and outlet centers (including one mixed-use center).
(2) Includes CBL's two 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 September 30, 2018, the Operating Partnership had interests in the following properties under development:

	Consolidated Properties		Unconsolidated Properties	
	Malls	All Other	Malls	All Other
Development	—	—	—	2
Redevelopments	8	—	1	—

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2018, 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 85.6% limited partner interest for a combined interest held by CBL of 86.6%.

The noncontrolling interest in the Operating Partnership is held by CBL & Associates, Inc., its shareholders and affiliates and certain senior officers of the Company (collectively "CBL's Predecessor"), all of which contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993, and by various third parties. At September 30, 2018, CBL’s Predecessor owned a 9.1% limited partner interest and third parties owned a 4.3% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 4.0 million shares of CBL’s common stock at September 30, 2018, for a total combined effective interest of 11.1% in the Operating Partnership.

Table of Contents

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").

The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. All intercompany transactions have been eliminated. The results for the interim period ended September 30, 2018 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, 2017.

Reclassifications

Certain reclassifications have been made to amounts in the Company's prior-year financial statements to conform to the current period presentation. The Company reclassified certain amounts related to restricted cash in its condensed consolidated statements of cash flows for the nine months ended September 30, 2017 upon the adoption of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-18, Restricted Cash ("ASU 2016-18") in the fourth quarter of 2017, which required the change in restricted cash to be reported with cash and cash equivalents when reconciling beginning and ending amounts on the condensed consolidated statements of cash flows. The guidance was applied retrospectively to the prior period presented. As a result, restricted cash reductions of $1,261, previously included in cash flows from investing activities, were reclassified to cash flows from financing activities to reflect $7,650 of principal payments on mortgage and other indebtedness and the remaining $8,911 difference was reclassified to the beginning-of-period and end-of-period total amounts on the condensed consolidated statement of cash flows for the nine months ended September 30, 2017.

Note 2 – Recent Accounting Pronouncements

Accounting Guidance Adopted

Description	Date Adopted & Application Method	Financial Statement Effect and Other Information
ASU 2014-09, Revenue from Contracts with Customers, and related subsequent amendments	January 1, 2018 - Modified Retrospective (applied to contracts not completed as of the implementation date)	The objective of this guidance is to enable financial statement users to better understand and analyze revenue by replacing transaction and industry-specific guidance with a more principles-based approach to revenue recognition. The core principle 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 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. The Company expects the adoption of the new guidance to be immaterial to its net income on an ongoing basis as the majority of the Company's revenues relate to leasing. See Note 3 for further details and the cumulative adjustment recorded.
ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory	January 1, 2018 - Modified Retrospective	The guidance requires an entity to recognize the income tax consequences of intercompany sales or transfers of assets, other than inventory, when the sale or transfer occurs. The Company recorded a cumulative effect adjustment of $11,433 to retained earnings as of

		January 1, 2018 related to certain 2017 asset sales from several of the Company's consolidated subsidiaries to the Management Company.
ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	January 1, 2018 - Modified Retrospective	This guidance applies to the partial sale or transfer of nonfinancial assets, including real estate assets, to unconsolidated joint ventures and requires 100% of the gain to be recognized for nonfinancial assets transferred to an unconsolidated joint venture and any noncontrolling interest received in such nonfinancial assets to be measured at fair value. See Note 3 for further details including the impact of adoption and the cumulative adjustment recorded.

14

Table of Contents

Description	Date Adopted & Application Method	Financial Statement Effect and Other Information
ASU 2017-09, Scope of Modification Accounting	January 1, 2018 - Prospective	The guidance clarifies the types of changes to the terms or conditions of a share-based payment award to which an entity would be required to apply modification accounting. The guidance did not have a material impact on the Company's condensed consolidated financial statements.

Accounting Guidance Not Yet Effective

Description	Expected Adoption Date & Application Method	Financial Statement Effect and Other Information
ASU 2016-02, Leases, and related subsequent amendments	January 1, 2019 - Modified Retrospective (electing optional transition method to apply at adoption date and record cumulative-effect adjustment as of January 1, 2019)	The objective of the leasing guidance is to increase transparency and comparability by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. 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 is substantially similar to existing GAAP and the Company expects substantially all leases will continue to be classified as operating leases under the new guidance. The Company expects to expense certain deferred lease costs due to the narrowed definition of indirect costs that may be capitalized. Of the $1,456 in deferred lease costs recorded in 2017, approximately $183 related to legal costs which would not be capitalized under the new guidance. The Company completed an inventory of its leases in which it is a lessee and expects to record right-of-use assets and corresponding lease liabilities for ground leases. The Company has 10 ground lease arrangements in which it is the lessee for land. As of September 30, 2018, these ground leases have future contractual payments of approximately $14,767 with maturity dates ranging from February 2022 to July 2089. Practical expedients and accounting policy elections: The Company plans to elect a package of practical expedients pursuant to which it will not reassess contracts to determine if they contain leases, will not reassess lease classification and will not reassess capitalization of initial direct costs related to expired or existing leases as of the adoption date. The Company also plans to use the land easements practical expedient and apply the short-term lease policy election to leases 12 months or less at inception. The Company expects to adopt the practical expedient which allows lessors to combine lease and non-lease components if certain conditions are met. The majority of the Company's revenues will continue to be classified as leasing revenues. The Company is assessing the potential impact the guidance may have on its condensed consolidated financial statements and

		related disclosures.
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	January 1, 2020 - Modified Retrospective	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. The Company is evaluating the impact that this update may have on its condensed consolidated financial statements and related disclosures.

Table of Contents

Description	Expected Adoption Date & Application Method	Financial Statement Effect and Other Information
ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	January 1, 2020 - Prospective	The guidance addresses diversity in practice in accounting for the costs of implementation activities in a cloud computing arrangement that is a service contract. Under the guidance, the Company is to follow Subtopic 350-40 on internal-use software to determine which implementation costs to capitalize and which to expense. The guidance also requires an entity to expense capitalized implementation costs over the term of the hosting arrangement and include that expense in the same line item as the fees associated with the service element of the arrangement. The Company does not expect the adoption of this guidance will have a material impact on its condensed consolidated financial statements or disclosures.

Note 3 – Revenues

Adoption of ASU 2014-09, and all related subsequent amendments, and ASU 2017-05

The Company adopted ASC 606 (which includes ASU 2014-09 and all related subsequent amendments) on January 1, 2018 and applied the guidance to contracts that were not complete as of January 1, 2018. The cumulative effect of adopting ASC 606 included an opening adjustment of $196 to retained earnings as of January 1, 2018 in the accounts noted below. Historical amounts for prior periods were not adjusted and will continue to be reported using the guidance in ASC 605, Revenue Recognition.

Sales of real estate assets are accounted for under ASC 610-20, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets, which provides for revenue recognition based on the transfer of control. There should be no change in revenue recognition for sales in which the Company has no continuing involvement. ASU 2017-05 addresses revenue recognition related to property sales in which the Company has continuing involvement and may require full gain recognition.

In its adoption of ASU 2017-05, the Company identified one unconsolidated affiliate, CBL/T-C, LLC, in which the Company recorded a partial sale of real estate assets in 2011, and recorded a cumulative effect adjustment that represents a gain of $57,850 as of January 1, 2018. Additionally, in conjunction with the transfer of land in the formation of a new joint venture in 2017, the Company recorded $901 related to this transaction as a cumulative effect adjustment as of January 1, 2018.

See Note 2 for additional information about these accounting standards.

Contract Balances

A summary of the Company's contract assets activity during the nine months ended September 30, 2018 is presented below:

	Contract Assets
Balance as of January 1, 2018 [(1)]	$ 460
Tenant openings	(375)
Executed leases	525
Balance as of September 30, 2018	$ 610

(1) In conjunction with the initial entry to record contract assets, $166 was also recorded in investments in unconsolidated affiliates in the condensed consolidated balance sheets to eliminate the Company's portion related to two unconsolidated affiliates.

There was no change to the $98 contract liability, recorded on January 1, 2018, during the nine months ended September 30, 2018.

16

Table of Contents

The Company has the following contract balances as of September 30, 2018:

Description	Financial Statement Line Item	As of September 30, 2018	Expected Settlement Period 2018	2019	2020	2023
Contract assets (1)	Management, development and leasing fees	$ 610	$(213)	$(389)	(4)	$(4)
Contract liability (2)	Other rents	98	(49)	(49)	—	—

(1) Represents leasing fees recognized as revenue in the period in which the lease is executed. Under third party and unconsolidated affiliates' contracts, the remaining 50% of the commissions are paid when the tenant opens. The tenant typically opens within a year, unless the project is in development.

(2) Relates to a contract in which the Company received advance payments in the initial year of the multi-year contract.

Revenues

Sales taxes are excluded from revenues. The following table presents the Company's revenues disaggregated by revenue source:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Leasing revenues (1)	$200,731	$621,016
Revenues from contracts with customers (ASC 606):		
Operating expense reimbursements (2)	1,682	6,062
Management, development and leasing fees (3)	2,658	8,022
Marketing revenues (4)	1,124	3,374
	5,464	17,458
Other revenues	683	3,202
Total revenues	$206,878	$641,676

(1) Revenues from leases are accounted for in accordance with ASC 840, Leases.

(2) Includes $1,621 in the Malls segment and $61 in the All Other segment for the three months ended September 30, 2018. Includes $5,660 in the Malls segment and $402 in the All Other segment for the nine months ended September 30, 2018. See description below.

(3) Included in All Other segment.

(4) Includes $1,119 in the Malls segment and $5 in the All Other segment for the three months ended September 30, 2018. Includes $3,362 in the Malls segment and $12 in the All Other segment for the nine months ended September 30, 2018.

See Note 9 for information on the Company's segments.

Leasing Revenues

The majority of the Company's revenues are earned through the lease of space at its properties. Lease revenues include minimum rent, percentage rent, other rents and reimbursements from tenants for real estate taxes, insurance, common area maintenance ("CAM") and other operating expenses as provided in the lease agreements.

Minimum rental revenue from operating leases is recognized on a straight-line basis over the initial terms of the related leases. Certain tenants are required to pay percentage rent if their sales volumes exceed thresholds specified in their lease agreements. Percentage rent is recognized as revenue when the thresholds are achieved and the amounts become determinable.

The Company receives reimbursements from tenants for real estate taxes, insurance, CAM and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized when earned in accordance with the tenant lease agreements. Tenant reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 15 years and are recognized as revenue in accordance with the underlying lease terms.

17

Table of Contents

Revenue from Contracts with Customers

Operating expense reimbursements

Under operating and other agreements with third parties which own anchor or outparcel buildings at the Company's properties and pay no rent, the Company receives reimbursements for certain operating expenses such as utilities, ring road and parking lot maintenance, landscaping and other fees. These arrangements are primarily either set at a fixed rate with rate increases typically every five years or are on a variable (pro rata) basis, typically as a percentage of costs allocated based on square footage or sales. The majority of these contracts have an initial term and one or more extension options, which cumulatively approximate 50 or more years as historically the initial term and any extension options are reasonably certain of being executed by the third party. The standalone selling price of each performance obligation is determined based on the terms of the contract, which typically assign a price to each performance obligation that directly relates to the value the customer receives for the services being provided. Revenue is recognized as services are transferred to the customer. Variable consideration is based on historical experience and is generally recognized over time using the cost-to-cost method of measurement because it most accurately depicts the Company's performance in satisfying the performance obligation. The cumulative catch-up method is used to recognize any adjustments in variable consideration estimates. Under this method, any adjustment is recognized in the period it is identified.

Management, development and leasing fees

The Company earns revenue from contracts with third parties and unconsolidated affiliates for property management, leasing, development and other services. These contracts are accounted for on a month-to-month basis if the agreement does not contain substantive penalties for termination. The majority of the Company's contracts with customers are accounted for on a month-to-month basis. The standalone selling price of each performance obligation is determined based on the terms of the contract, which typically assign a price to each performance obligation that directly relates to the value the customer receives for the services being provided. These contracts generally are for the following:

- Management fees - Management fees are charged as a percentage of revenues (as defined in the contract) and recognized as revenue over time as services are provided.
- Leasing fees - Leasing fees are charged for newly executed leases and lease renewals and are recognized as revenue upon lease execution, when the performance obligation is completed. In cases for which the agreement specifies 50% of the leasing commission will be paid upon lease execution with the remainder paid when the tenant opens, the Company estimates the amount of variable consideration it expects to receive by evaluating the likelihood of tenant openings using the most likely amount method and records the amount as an unbilled receivable (contract asset).
- Development fees - Development fees may be either set as a fixed rate in a separate agreement or be a variable rate based on a percentage of work costs. Variable consideration related to development fees is generally recognized over time using the cost-to-cost method of measurement because it most accurately depicts the Company's performance in satisfying the performance obligation. Contract estimates are based on various assumptions including the cost and availability of materials, anticipated performance and the complexity of the work to be performed. The cumulative catch-up method is used to recognize any adjustments in variable consideration estimates. Under this method, any adjustment is recognized in the period it is identified.

Development and leasing fees received from an unconsolidated affiliate are recognized as revenue only to the extent of the third-party partner’s ownership interest. The Company's share of such fees are recorded as a reduction to the Company’s investment in the unconsolidated affiliate.

Marketing revenues

The Company earns marketing revenues from advertising and sponsorship agreements. These fees may be for tangible items in which the Company provides advertising services and creates signs and other promotional materials for the tenant or may be arrangements in which the customer sponsors a play area or event and receives specified brand recognition and other benefits over a set period of time. Revenue related to advertising services is recognized as goods and services are provided to the customer. Sponsorship revenue is recognized on a straight-line basis over the time period specified in the contract.

18

Table of Contents

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. If the contract does not specify the revenue by performance obligation, the Company allocates the transaction price to each performance obligation based on its relative standalone selling price. Such prices are generally determined using prices charged to customers or using the Company's expected cost plus margin. Revenue is recognized as the Company's performance obligations are satisfied over time, as services are provided, or at a point in time, such as leasing a space to earn a commission. Open performance obligations are those in which the Company has not fully or has partially provided the applicable good or services to the customer as specified in the contract. If consideration is received in advance of the Company's performance, including amounts which are refundable, recognition of revenue is deferred until the performance obligation is satisfied or amounts are no longer refundable.

Practical Expedients

The Company does not disclose the value of open performance obligations for (1) contracts with an original expected duration of one year or less and (2) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice, which primarily relate to services performed for certain operating expense reimbursements and management, leasing and development activities, as described above. Performance obligations related to pro rata operating expense reimbursements for certain noncancellable contracts are disclosed below.

Outstanding Performance Obligations

The Company has outstanding performance obligations related to certain noncancellable contracts with customers for which it will receive pro rata operating expense reimbursements for providing certain maintenance and other services as described above. As of September 30, 2018, the Company expects to recognize these amounts as revenue over the following periods:

Performance obligation	Less than 5 years	5-20 years	Over 20 years	Total
Pro rata operating expense reimbursements	$981	$4,899	$33,581	$39,461

The Company evaluates its performance obligations each period and makes adjustments to reflect any known additions or cancellations. Performance obligations related to variable consideration which is based on sales is constrained.

Note 4 – 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 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.

19

Table of Contents

Fair Value Measurements on a Recurring Basis

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 $3,905,211 and $4,199,357 at September 30, 2018 and December 31, 2017, 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.

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. Level 3 inputs primarily consist of sales and market data, independent valuations and discounted cash flow models.

Long-lived Assets Measured at Fair Value in 2018

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 for the nine months ended September 30, 2018:

		Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Loss on Impairment
Long-lived assets	$42,100	$—	$—	$ 42,100	$ 84,644

During the nine months ended September 30, 2018, the Company recognized an impairment of real estate of $84,644 related to two malls and undeveloped land:

Impairment Date	Property	Location	Segment Classification	Loss on Impairment	Fair Value
March	Janesville Mall (1)	Janesville, WI	Malls	$ 18,061	$—
June	Cary Towne Center (2)	Cary, NC	Malls	51,985	34,000
September	Vacant land (3)	D'Iberville, MS	All Other	14,598	8,100
				$ 84,644	$42,100

(1) The Company adjusted the book value of the mall to its estimated fair value based upon a net sales price of $17,640 in a signed contract with a third party buyer, adjusted to reflect estimated disposition costs. The mall was classified as held for sale as of June 30, 2018 until its sale in in July 2018. See Note 5 for additional information.

(2) In June 2018, the Company was notified by IKEA that, as a result of a shift in its corporate strategy, it was terminating the contract to purchase land at the mall upon which it would develop and open a store. Under the terms of the interest-only non-recourse loan secured by the mall, the loan matured on the date the IKEA contract terminated if that date was prior to the scheduled maturity date of March 5, 2019. The Company engaged in

conversations with the lender regarding a potential restructure of the loan. Based on the results of these conversations, the Company concluded that an impairment was required because it was unlikely to recover the asset's net carrying value through future cash flows. Management determined the fair value of Cary Towne Center using a discounted cash flow methodology. The discounted cash flow used assumptions including a 10-year holding period, a capitalization rate of 12.0% and a discount rate of 13%. See Note 7 for information related to the mortgage loan.

(3) In accordance with the Company's quarterly impairment review process, the Company wrote down the book value of land to its estimated value of $8,100. The Company evaluated comparable land parcel transactions and determined that $8,100 was the land's estimated fair value.

Table of Contents

Long-lived Assets Measured at Fair Value in 2017

The following table sets forth information regarding the Company's assets, which are included in the Company's condensed consolidated balance sheets as of September 30, 2018, that were measured at fair value on a nonrecurring basis and related impairment charges for the year ended December 31, 2017:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-lived assets	$81,350	$ —	$ —	$ 81,350

During the year ended December 31, 2017, the Company wrote down the book value of the following properties:

Impairment Date	Property	Location	Segment Classification	Loss on Impairment	Fair Value
June	Acadiana Mall [1]	Lafayette, LA	Malls	$ 43,007	$67,300
September	Hickory Point Mall [2]	Forsyth, IL	Malls	24,525	14,050
				$ 67,532	$81,350

(1) In accordance with the Company's quarterly impairment review process, the Company wrote down the book value of the mall to its estimated fair value of $67,300. Management determined the fair value of Acadiana Mall using a discounted cash flow methodology. The discounted cash flow used assumptions including a holding period of 10 years, with a sale at the end of the holding period, a capitalization rate of 15.5% and a discount rate of 15.75%. The mall has experienced declining tenant sales and cash flows as a result of the downturn of the economy in its market area and was also impacted by an anchor's announcement in the second quarter 2017 that it would close its store later in 2017. The loan secured by Acadiana Mall matured in April 2017 and is in default. See Note 7 for additional information related to the mortgage loan.

(2) In accordance with the Company's quarterly impairment review process, the Company wrote down the book value of the mall to its estimated fair value of $14,050. Management determined the fair value of Hickory Point Mall using a discounted cash flow methodology. The discounted cash flow used assumptions including a holding period of 10 years, with a sale at the end of the holding period, a capitalization rate of 18.0% and a discount rate of 19.0%.

Note 5 – 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 properties described below, as well as any related gains or losses, are included in net income for all periods presented, as applicable.

2018 Dispositions

Net proceeds realized from the 2018 dispositions listed below were used to reduce the outstanding balances on the Company's credit facilities unless otherwise noted.

The following is a summary of the Company's 2018 dispositions: