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CBL & ASSOCIATES PROPERTIES INC
Form 8-K
July 09, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): April 30, 2003

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

1-12494

62-154718

(State or Other Jurisdiction of Incorporation) (Commission File Number) I.R.S. Employer Identification No.)

Suite 500, 2030 Hamilton Place Blvd, Chattanooga, TN 37421

(Address of principal executive office, including zip code)

(423) 855-0001

(Registrant's telephone number, including area code)

N/A

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

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ITEM 2. Acquisition or Disposition of Assets

CBL & Associates Properties, Inc. (the "Company") acquired six malls and two associated centers during the year ended December 31, 2003. Although none of the properties acquired are individually significant according to the provisions of Rule 3-14 of Regulation S-X of the Securities and Exchange Commission, they are significant in the aggregate. This Current Report on Form 8-K is being filed to provide certain historical and pro forma financial information related to these acquisitions, which are described below. In this Current Report on Form 8-K, dollars are in thousands, except for per share amounts.

On April 30, 2003, the Company acquired Sunrise Mall and its associated

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center, Sunrise Commons, which are located in Brownsville, TX. The total purchase price, including transaction costs, of \$80,686 consisted of \$40,686 in cash and the assumption of \$40,000 of variable-rate debt that matured in May 2004.

On September 10, the Company acquired Cross Creek Mall in Fayetteville, NC for a purchase price, including transaction costs, of \$116,729, which consisted of \$52,484 in cash and the assumption of \$64,245 of non-recourse debt that bears interest at a stated rate of 7.4% and matures in April 2012. The Company recorded a debt premium of \$10,209, computed using an estimated market interest rate of 5.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On October 1, the Company acquired River Ridge Mall in Lynchburg, VA for a purchase price, including transaction costs, of \$61,933, which consisted of \$38,622 in cash, a short-term note payable of \$793 and the assumption of \$22,518 of non-recourse debt that bears interest at a stated rate of 8.05% and matures in January 2007. The Company also recorded a debt premium of \$2,724, computed using an estimated market interest rate of 4.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On October 1, the Company acquired Valley View Mall in Roanoke, VA for a purchase price, including transaction costs, of \$86,094, which consisted of \$35,351 in cash, a short-term note payable of \$5,708 and the assumption of \$45,035 of non-recourse debt that bears interest at a weighted-average stated rate of 8.61% and matures in September 2010. The Company also recorded a debt premium of \$8,813, computed using an estimated market interest rate of 5.10%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On December 15, the Company acquired Southpark Mall in Colonial Heights, VA for a purchase price, including transaction costs, of \$78,031, which consisted of \$34,879 in cash, a short-term note payable of \$5,116 and the assumption of \$38,036 of non-recourse debt that bears interest at a stated rate of 7.00% and matures in May 2012. The Company also recorded a debt premium of \$4,544, computed using an estimated market interest rate of 5.10%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

Cross Creek Mall, River Ridge Mall, Valley View Mall and Southpark Mall were all purchased from Faison Enterprises or affiliates of Faison Enterprises.

On December 30, the Company acquired Harford Mall Business Trust, a Maryland business trust that owns Harford Mall and its associated center, Harford Annex, in Bel Air, MD for a cash purchase price, including transaction costs, of \$71,110.

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ITEM 7. Financial Statements and Exhibits

Listed below are the financial statements, pro forma financial information and exhibits filed as part of this report:

(a) Financial Statements of Businesses Acquired

The combined statements of certain revenues and certain operating expenses of the four regional malls acquired from Faison Enterprises (described

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under Item 2) as listed in the accompanying Index to Financial Statements and Pro Forma Financial Information are filed as part of this Current Report on Form 8-K.

(b) Pro Forma Financial Information

The pro forma financial information of CBL & Associates Properties, Inc. listed in the accompanying Index to Financial Statements and Pro Forma Financial Information are filed as part of this Current Report on Form 8-K.

(c) Exhibits

23 Consent of Deloitte & Touche LLP

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CBL & ASSOCIATES PROPERTIES, INC.

/s/ John N. Foy

John N. Foy
Vice Chairman,
Chief Financial Officer and Treasurer
(Authorized Officer of the Registrant,
Principal Financial Officer and
Principal Accounting Officer)

Date: July 7, 2004

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INDEX TO FINANCIAL STATEMENTS AND PRO FORMA FINANCIAL INFORMATION

The following historical financial statements and pro forma financial information is presented in accordance with Rule 3-14 and Article 11, respectively, of Regulation S-X of the Securities and Exchange Commission. The historical financial statements have been audited only for certain properties acquired. With respect to the properties acquired from Faison Enterprises, the historical combined financial statement has been audited only for the most recent fiscal year as the transaction did not involve a related party and the registrant, after reasonable inquiry, is not aware of any material factors related to the acquired properties not otherwise disclosed that would cause the reported financial information to not be necessarily indicative of future operating results. In accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission, certain unaudited financial information for properties acquired during 2003 that are not individually significant has also been presented. In addition, as the properties will be directly or indirectly

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owned by entities that will elect or have elected to be treated as real estate investment trusts (as specified under sections 856-860 of the Internal Revenue Code of 1986) for Federal income tax purposes, a presentation of estimated taxable operating results is not applicable.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of CBL & Associates Properties, Inc.:

We have audited the accompanying combined statement of certain revenues and certain operating expenses (the "Statement") of Valley View Mall, Cross Creek Mall, Southpark Mall and River Ridge Mall (the "Faison Properties") for the year ended December 31, 2002. This Statement is the responsibility of the management of CBL & Associates Properties, Inc. (the "Company"). Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the filing of a Form 8-K of the Company) as described in Note 1 to the Statement, and is not intended to be a complete presentation of the Faison Properties' revenues and expenses.

In our opinion, such Statement presents fairly, in all material respects, the certain revenues and certain operating expenses described in Note 1 to the Statement for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

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/s/ DELOITTE & TOUCHE LLP

May 13, 2004
Atlanta, Georgia

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FAISON PROPERTIES

COMBINED STATEMENTS OF CERTAIN REVENUES AND CERTAIN OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2002 AND THE NINE MONTHS ENDED
SEPTEMBER 30, 2003 (UNAUDITED)

	Nine Months Ended September 30, 2003 (unaudited)	Year December
REVENUES:		
Rentals:		
Minimum	\$ 16,805,041	\$ 22,000,000
Percentage	48,468	100,000
Other	3,813	10,000
Tenant reimbursements	14,211,878	19,000,000
Other income	133,829	100,000
Total revenues	31,203,029	44,000,000
EXPENSES:		
Property operating	6,713,557	8,000,000
Real estate taxes	1,975,614	2,000,000
Maintenance and repairs	5,273,254	6,000,000
Total expenses	13,962,425	17,000,000
Excess of certain revenues over certain operating expenses	\$ 17,240,604	\$ 26,000,000

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FAISON PROPERTIES

NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002 AND THE NINE MONTHS ENDED
SEPTEMBER 30, 2003 (UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS FOR PRESENTATION

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The accompanying combined statements of certain revenues and certain operating expenses (the "Statements") relate to Valley View Mall, Cross Creek Mall, Southpark Mall, and River Ridge Mall (the "Faison Properties"). The Faison Properties are affiliated through common ownership and common property management.

Valley View Mall is an approximately 787,255-square-foot, two-level regional mall in Roanoke, Virginia. Cross Creek Mall is an approximately 1,054,034-square-foot, super regional mall in Fayetteville, North Carolina. Southpark Mall is an approximately 626,806-square-foot regional mall in Colonial Heights, Virginia. River Ridge Mall is an approximately 784,775-square-foot, one-level regional mall in Lynchburg, Virginia.

CBL Associates Properties, Inc., ("CBL") purchased the Faison Properties in four separate transactions, all of which occurred during 2003. The results of operations of the Faison Properties from the dates they were acquired by CBL through December 31, 2003, are included in CBL's historical results of operations for the year ended December 31, 2003.

The Statement is prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the Statements are not representative of the actual operations of the Faison Properties for the periods presented as certain revenues and certain operating expenses have been excluded. Such items include depreciation, amortization, interest expense, management fees and interest income.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition - Rental income comprises minimum rents, expense reimbursements and percentage rent payments. Minimum Rents with fixed increases are recognized on a straight-line bases over the initial terms of the related leases. Expense reimbursements are recognized in the period that the applicable costs are incurred. The Faison Properties account for these leases as operating leases as the Properties have retained substantially all risks and benefits of property ownership. Percentage rent income is recognized when the tenant's reported sales have reached certain levels specified in the respective lease.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying combined financial statements for the nine months ended September 30, 2003 are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in conjunction with the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management of Faison Properties, all adjustments (consisting

solely of normal recurring matters) necessary for a fair presentation for the interim period have been included. The results for the interim period ended

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September 30, 2003, are not necessarily indicative of the results that may be expected for the full year.

NOTE 3. LEASING ACTIVITIES

The Faison Properties have non-cancelable operating leases with tenants requiring monthly payments of specified minimum rent. A majority of the leases require reimbursement by the tenant of substantially all operating expenses of the Properties. Future minimum rental commitments under the non-cancelable operating leases at December 31, 2002 are as follows:

Year Ending December 31:

2003	\$ 24,044,417
2004	22,185,716
2005	19,259,763
2006	16,375,278
2007	13,007,451
Thereafter	36,866,948

Total	\$131,739,573
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CBL & Associates Properties, Inc.
 Pro Forma Consolidated Statements of Operations
 For The Year Ended December 31, 2003
 (Unaudited and in thousands, except per share amounts)

	CBL Historical	Faison Properties (a)	Other Acquisiti
	-----	-----	-----
REVENUES:			
Minimum rents	\$428,678	\$ 18,190	\$ 8,24
Percentage rents	12,925	192	83
Other rents	12,635	4	2
Tenant reimbursements	193,592	14,857	4,08
Management, development and leasing fees	5,525	-	
Other	14,176	175	14
	-----	-----	-----
Total revenues	\$667,531	\$ 33,418	\$ 13,32
	-----	-----	-----
EXPENSES:			
Property operating	103,540	7,265	3,25
Depreciation and amortization	113,481	-	
Real estate taxes	51,717	2,107	70
Maintenance and repairs	39,830	5,383	68
General and administrative	30,395	-	
Other	11,489	-	13
	-----	-----	-----
Total expenses	350,452	14,755	4,78
	-----	-----	-----
Income from operations	317,079	18,663	8,53
Interest income	2,485	-	

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Interest expense	(153,373)	-	
Loss on extinguishment of debt	(167)	-	
Gain on sales of real estate assets	77,775	-	
Equity in earnings of unconsolidated affiliates	4,941	-	
Minority interest in earnings:			
Operating partnership	(106,532)	-	
Shopping center properties	(2,799)	-	
	-----	-----	-----
Income before discontinued operations	139,409	18,663	8,53
Operating income of discontinued operations	688	-	
Gain on discontinued operations	4,042	-	
	-----	-----	-----
Net income	144,139	18,663	8,53
Preferred dividends	(19,633)	-	
	-----	-----	-----
Net income available to common shareholders	\$124,506	\$ 18,663	\$ 8,53
	=====	=====	=====
Basic per share data:			
Income before discontinued operations, net of preferred dividends	\$ 4.00		
Discontinued operations	0.16		

Net income available to common shareholders	\$ 4.16		
	=====		
Weighted average common shares outstanding	29,936		
Diluted per share data:			
Income before discontinued operations, net of preferred dividends	\$ 3.84		
Discontinued operations	0.15		

Net income available to common shareholders	\$ 3.99		
	=====		
Weighted average common and potential dilutive common shares outstanding	31,193		

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Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 33-73376, 333-04295, 333-41768, and 333-88914 on Form S-8 and Registration Statements Nos. 33-62830, 333-90395, 333-47041, and 333-97831 on Form S-3 of CBL & Associates Properties, Inc. of our report dated May 13, 2004, on the Combined Statement of Certain Revenues and Certain Operating Expenses of the Faison Properties for the year ended December 31, 2002, appearing in this Current Report on Form 8-K of CBL & Associates Properties, Inc. dated July 7, 2004.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
July 7, 2004

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