

Edgar Filing: Brixmor Property Group Inc. - Form 10-Q

Brixmor Property Group Inc.  
Form 10-Q  
April 27, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36160 (Brixmor Property Group)

Commission File Number: 333-201464-01 (Brixmor Operating Partnership LP)

Brixmor Property Group Inc.  
Brixmor Operating Partnership LP  
(Exact Name of Registrant as Specified in Its Charter)

Maryland (Brixmor Property Group Inc.)	45-2433192
Delaware (Brixmor Operating Partnership LP)	80-0831163
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
420 Lexington Avenue, New York, New York 10170	
(Address of Principal Executive Offices) (Zip Code)	
212-869-3000	
(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.

Brixmor Property Group Inc. Yes  No  Brixmor Operating Partnership LP Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Brixmor Property Group Inc. Yes  No  Brixmor Operating Partnership LP Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting

Edgar Filing: Brixmor Property Group Inc. - Form 10-Q

company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Brixmor Property Group Inc.

Brixmor Operating Partnership LP

Large accelerated filer  Non-accelerated filer

Large accelerated filer  Non-accelerated filer

Smaller reporting company  Accelerated filer

Smaller reporting company  Accelerated filer

(Do not check if a smaller reporting company)

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

Brixmor Property Group Inc. Yes  No  Brixmor Operating Partnership LP Yes  No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

As of April 1, 2015, Brixmor Property Group Inc. had 298,483,602 shares of common stock outstanding.

## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2015 of Brixmor Property Group Inc. and Brixmor Operating Partnership LP. Unless stated otherwise or the context otherwise requires, references to the “Parent Company” or “BPG” mean Brixmor Property Group Inc. and its consolidated subsidiaries; and references to the “Operating Partnership” mean Brixmor Operating Partnership LP and its consolidated subsidiaries. The terms the “Company,” “Brixmor,” “we,” “our” and “us” mean the Parent Company and the Operating Partnership, collectively.

The Parent Company is a real estate investment trust (“REIT”) which owns 100% of the common stock of BPG Subsidiary Inc. (“BPG Sub”), which, in turn, is the sole owner of Brixmor OP GP LLC, or the General Partner, the sole general partner of the Operating Partnership. As of March 31, 2015, the Parent Company beneficially owned, through its direct and indirect interest in BPG Sub and the General Partner, approximately 98.1% of the outstanding partnership common units of interest (the “OP Units”) in the Operating Partnership. Certain investments funds affiliated with The Blackstone Group L.P. and certain current and former members of the Company’s management collectively owned the remaining 1.9% interest in the Operating Partnership.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report provides the following benefits:

- Enhances investors’ understanding of the Parent Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Eliminates duplicative disclosure and provides a more streamlined and readable presentation; and
- Creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one business. The management of the Parent Company consists of the same individuals as the management of the Operating Partnership. These individuals are officers of both the Parent Company and the Operating Partnership.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its indirect interest in the Operating Partnership. As a result, the Parent Company does not conduct business itself other than issuing public equity from time to time. The Parent Company does not incur any material indebtedness. The Operating Partnership holds substantially all of our assets. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates all remaining capital required by the Company’s business. Sources of this capital include the Operating Partnership’s operations, its direct or indirect incurrence of indebtedness, and the issuance of OP Units.

Stockholders’ equity, partners’ capital, and non-controlling interests are the primary areas of difference between the unaudited condensed consolidated financial statements of the Parent Company and those of the Operating Partnership. The Operating Partnership’s capital includes OP Units owned by the Parent Company through BPG Sub and the General Partner as well as OP Units owned by certain investments funds affiliated with The Blackstone Group L.P. and certain current and former members of the our management. OP Units owned by third parties are accounted for in partners’ capital in the Operating Partnership’s financial statements and outside of stockholders’ equity in non-controlling interests in the Parent Company’s financial statements.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements (but combined footnotes), separate controls and procedures sections, separate certification of periodic report under Section 302 of the Sarbanes-Oxley Act of 2002 and separate certification pursuant to 18 U.S.C Section

1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. In the sections that combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company.

The Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have material assets other than its indirect investment in the Operating Partnership. Therefore, while stockholders' equity and partners' capital differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are materially the same on their respective financial statements.

---

TABLE OF CONTENTS

Item No.		Page
<b>Part I - FINANCIAL INFORMATION</b>		
1.	Financial Statements	<u>5</u>
	Brixmor Property Group Inc. (unaudited)	
	Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014	<u>5</u>
	Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2015 and 2014	<u>6</u>
	Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2015 and 2014	<u>7</u>
	Condensed Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2015	<u>8</u>
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014	<u>9</u>
	Brixmor Operating Partnership LP (unaudited)	
	Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014	<u>10</u>
	Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2015 and 2014	<u>11</u>
	Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2015 and 2014	<u>12</u>
	Condensed Consolidated Statements of Changes in Capital for the Three Months Ended March 31, 2015	<u>13</u>
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014	<u>14</u>
	Brixmor Property Group Inc. and Brixmor Operating Partnership (unaudited)	
	Notes to Condensed Consolidated Financial Statements	<u>15</u>
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>25</u>
3.	Quantitative and Qualitative Disclosures about Market Risk	<u>36</u>
4.	Controls and Procedures	<u>36</u>
<b>Part II - OTHER INFORMATION</b>		
1.	Legal Proceedings	<u>37</u>
1A.	Risk Factors	<u>37</u>
2.	Unregistered Sales of Equity Securities and Use of Proceeds	<u>37</u>
3.	Defaults Upon Senior Securities	<u>37</u>
4.	Mine Safety Disclosures	<u>37</u>
5.	Other Information	<u>37</u>
6.	Exhibits	<u>38</u>

## Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “anticipates,” “targets” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in our Form 10-K for the year ended December 31, 2014, as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov). These factors include (1) changes in national, regional or local economic climates; (2) local conditions, including an oversupply of space in, or a reduction in demand for, properties similar to those in our Portfolio; (3) the attractiveness of properties in our Portfolio to our tenants; (4) the financial stability of tenants, including the ability of tenants to pay rents and expense reimbursements; (5) in the case of percentage rents, our tenants’ sales volumes; (6) competition from other available properties; (7) changes in market rental rates; and (8) changes in the regional demographics of our properties. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and we expressly disclaim any obligation or undertaking to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except to the extent otherwise required by law.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except share information)

	March 31, 2015	December 31, 2014
Assets		
Real estate		
Land	\$1,998,924	\$2,000,415
Buildings and improvements	8,804,004	8,801,834
	10,802,928	10,802,249
Accumulated depreciation and amortization	(1,628,329)	(1,549,234)
Real estate, net	9,174,599	9,253,015
Investments in and advances to unconsolidated joint ventures		
Cash and cash equivalents	5,056	5,072
Restricted cash	68,184	60,595
Marketable securities	61,687	53,164
Receivables, net	20,028	20,315
Deferred charges and prepaid expenses, net	178,801	182,424
Other assets	117,972	114,758
Total assets	12,852	13,059
	\$9,639,179	\$9,702,402
Liabilities		
Debt obligations, net	\$6,059,258	\$6,042,997
Accounts payable, accrued expenses and other liabilities	627,203	679,102
Total liabilities	6,686,461	6,722,099
Commitments and contingencies (Note 11)		
Equity		
Common stock, \$0.01 par value; authorized 3,000,000,000 shares; 298,483,602 and 296,552,142 shares outstanding	2,985	2,966
Additional paid in capital	3,255,023	3,223,941
Accumulated other comprehensive loss	(6,838)	(4,435)
Distributions and accumulated losses	(355,872)	(318,762)
Total stockholders' equity	2,895,298	2,903,710
Non-controlling interests	57,420	76,593
Total equity	2,952,718	2,980,303
Total liabilities and equity	\$9,639,179	\$9,702,402

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

**BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Revenues		
Rental income	\$243,570	\$237,168
Expense reimbursements	69,754	68,594
Other revenues	1,969	1,813
Total revenues	315,293	307,575
Operating expenses		
Operating costs	35,160	34,875
Real estate taxes	44,189	44,434
Depreciation and amortization	108,544	113,220
Provision for doubtful accounts	2,495	2,888
Impairment of real estate assets	807	—
General and administrative	30,715	19,658
Total operating expenses	221,910	215,075
Other income (expense)		
Dividends and interest	94	108
Interest expense	(62,564	)