

WASHINGTON PRIME GROUP INC.

Form 10-Q

November 03, 2016

UNITED STATES

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, 2016

Washington Prime Group Inc.

Washington Prime Group, L.P.

(Exact name of Registrant as specified in its charter)

Indiana (Both Registrants)

(State of incorporation or organization)

001-36252 (Washington Prime Group Inc.) 180 East Broad Street

333-205859 (Washington Prime Group, L.P.) Columbus, Ohio 43215

(Commission File No.)

(Address of principal executive offices)

46-4323686 (Washington Prime Group Inc.)

(614) 621-9000

46-4674640 (Washington Prime Group, L.P.)

(Registrant's telephone number, including area code)

(I.R.S. Employer Identification No.)

WP Glimcher Inc.

(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.

Washington Prime Group Inc. Yes x No " Washington Prime Group, L.P. Yes " No x

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).

Washington Prime Group Inc. Yes x No " Washington Prime Group, L.P. Yes x No "

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

Washington Prime Group Inc. (Check One):

Large accelerated filer x Accelerated filer "

Non-accelerated filer " Smaller reporting

company "

(Do not check if a smaller reporting company)

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Washington Prime Group, L.P. (Check One):

Large accelerated filer Accelerated
filer

Non-accelerated filer Smaller reporting
company

(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).

Washington Prime Group Inc. Yes No Washington Prime Group, L.P. Yes No

As of November 2, 2016, Washington Prime Group Inc. had 185,427,161 shares of common stock outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2016 of Washington Prime Group Inc. (formerly WP Glimcher Inc. - see Note 1 "Organization") and Washington Prime Group, L.P. Unless stated otherwise or the context requires otherwise, references to "WPG Inc." mean Washington Prime Group Inc., an Indiana corporation, and references to "WPG L.P." mean Washington Prime Group, L.P., an Indiana limited partnership, and its consolidated subsidiaries, in cases where it is important to distinguish between WPG Inc. and WPG L.P. We use the terms "WPG," the "Company," "we," "us," and "our" to refer to WPG Inc., WPG L.P., and entities in which WPG Inc. or WPG L.P. (or an affiliate) has a material interest on a consolidated basis, unless the context indicates otherwise.

WPG Inc. operates as a self-managed and self-administered real estate investment trust ("REIT"). WPG Inc. owns properties and conducts operations through WPG L.P., of which WPG Inc. is the sole general partner and of which it held approximately 84.1% of the partnership interests ("OP units") at September 30, 2016. The remaining OP units are owned by various limited partners. As the sole general partner of WPG L.P., WPG Inc. has the exclusive and complete responsibility for WPG L.P.'s day-to-day management and control. Management operates WPG Inc. and WPG L.P. as one enterprise. The management of WPG Inc. consists of the same persons who direct the management of WPG L.P. As general partner with control of WPG L.P., WPG Inc. consolidates WPG L.P. for financial reporting purposes, and WPG Inc. does not have significant assets other than its investment in WPG L.P. Therefore, the assets and liabilities of WPG Inc. and WPG L.P. are substantially the same on their respective consolidated financial statements and the disclosures of WPG Inc. and WPG L.P. also are substantially similar.

The Company believes, therefore, that the combination into a single report of the quarterly reports on Form 10-Q of WPG Inc. and WPG L.P. provides the following benefits:

- enhances investors' understanding of the operations of WPG Inc. and WPG L.P. 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 since a substantial portion of the disclosure applies to both WPG Inc. and WPG L.P.; and
- creates time and cost efficiencies through the preparation of one set of disclosures instead of two separate sets of disclosures.

The substantive difference between WPG Inc.'s and WPG L.P.'s filings is the fact that WPG Inc. is a REIT with shares traded on a public stock exchange, while WPG L.P. is a limited partnership with no publicly traded equity. Moreover, the interests in WPG L.P. held by third parties are classified differently by the two entities (i.e., noncontrolling interests for WPG Inc. and partners' equity for WPG L.P.). In the consolidated financial statements, these differences are primarily reflected in the equity section of the consolidated balance sheets and in the consolidated statements of equity. Apart from the different equity presentation, the consolidated financial statements of WPG Inc. and WPG L.P. are nearly identical.

This combined Form 10-Q for WPG Inc. and WPG L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting, and separate CEO/CFO certifications. In addition, if there were any material differences between WPG Inc. and WPG L.P. with respect to any other financial and non-financial disclosure items required by Form 10-Q, they would be discussed separately herein.

WPG L.P. is a voluntary filer. We are evaluating whether or not WPG L.P. will continue to voluntarily file reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

WASHINGTON PRIME GROUP INC. AND WASHINGTON PRIME GROUP, L.P.
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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

Washington Prime Group Inc.
Unaudited Consolidated Balance Sheets
(dollars in thousands, except share and par value amounts)

	September 30, 2016	December 31, 2015
ASSETS:		
Investment properties at cost	\$6,564,668	\$6,656,200
Less: accumulated depreciation	2,285,220	2,225,750
	4,279,448	4,430,450
Cash and cash equivalents	57,791	116,253
Tenant receivables and accrued revenue, net	89,390	91,603
Real estate assets held-for-sale	—	30,000
Investment in and advances to unconsolidated entities, at equity	459,966	488,071
Deferred costs and other assets	293,968	303,232
Total assets	\$5,180,563	\$5,459,609
LIABILITIES:		
Mortgage notes payable	\$1,668,051	\$1,793,439
Notes payable	247,456	246,728
Unsecured term loans	1,334,205	1,332,812
Revolving credit facility	293,841	275,622
Accounts payable, accrued expenses, intangibles, and deferred revenues	340,621	379,112
Distributions payable	2,992	2,992
Cash distributions and losses in partnerships and joint ventures, at equity	15,421	15,399
Total liabilities	3,902,587	4,046,104
Redeemable noncontrolling interests	5,213	6,132
EQUITY:		
Stockholders' Equity:		
Series H Cumulative Redeemable Preferred Stock, \$0.0001 par value, 4,000,000 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	104,251	104,251
Series I Cumulative Redeemable Preferred Stock, \$0.0001 par value, 3,800,000 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	98,325	98,325
Common stock, \$0.0001 par value, 300,000,000 shares authorized, 185,425,662 and 185,304,555 issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	19	19
Capital in excess of par value	1,236,024	1,225,926
Accumulated deficit	(325,643)	(214,243)
Accumulated other comprehensive (loss) income	(11,354)	1,716
Total stockholders' equity	1,101,622	1,215,994
Noncontrolling interests	171,141	191,379
Total equity	1,272,763	1,407,373
Total liabilities, redeemable noncontrolling interests and equity	\$5,180,563	\$5,459,609

The accompanying notes are an integral part of these statements.

Washington Prime Group Inc.

Unaudited Consolidated Statements of Operations and Comprehensive Income

(dollars in thousands, except per share amounts)

	Three Months	Nine Months		
	Ended	Ended		
	September 30,	September 30,		
	2016	2015	2016	2015

REVENUE:

Minimum rent \$