

INLAND REAL ESTATE CORP

Form 10-Q

November 07, 2014

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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 September 30, 2014

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 001-32185

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction

of incorporation or organization)

36-3953261

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

2901 Butterfield Road, Oak

Brook, Illinois

(Address of principal executive offices)

60523

(Zip code)

Registrant's telephone number, including area code: 630-218-8000

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. 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(do not check if a smaller reporting company)

Smaller reporting company

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

Yes  No

As of November 7, 2014, there were 100,121,746 shares of common stock outstanding.

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INLAND REAL ESTATE CORPORATION

(a Maryland corporation)

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## Part I - Financial Information

## Item 1. Financial Statements

## INLAND REAL ESTATE CORPORATION

## Consolidated Balance Sheets

September 30, 2014 and December 31, 2013

(In thousands, except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
Assets:		
Investment properties:		
Land	\$381,404	387,010
Construction in progress	18,237	16,856
Building and improvements	1,091,591	1,130,004
Total investment properties	1,491,232	1,533,870
Less accumulated depreciation	328,929	327,684
Net investment properties	1,162,303	1,206,186
Cash and cash equivalents	15,409	11,258
Accounts receivable, net	36,788	37,155
Investment in and advances to unconsolidated joint ventures	170,809	119,476
Acquired lease intangibles, net	87,554	103,576
Deferred costs, net	19,436	19,638
Other assets	38,194	32,648
Total assets	\$1,530,493	1,529,937
Liabilities:		
Accounts payable and accrued expenses	\$50,435	57,132
Acquired below market lease intangibles, net	40,999	43,191
Distributions payable	5,128	5,110
Mortgages payable	452,753	497,832
Unsecured credit facilities	390,000	325,000
Convertible notes	29,138	28,790
Other liabilities	20,849	17,413
Total liabilities	989,302	974,468
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 12,000 shares authorized; 4,400 8.125% Series A Cumulative Redeemable shares, with a \$25.00 per share Liquidation Preference, issued and outstanding at September 30, 2014 and December 31, 2013, respectively	110,000	110,000
Common stock, \$0.01 par value, 500,000 shares authorized; 100,108 and 99,721 Shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	1,001	997
Additional paid-in capital (net of offering costs of \$74,997 and \$74,749 at September 30, 2014 and December 31, 2013, respectively)	880,022	877,328
Accumulated distributions in excess of net income	(444,715)	(427,953)
Accumulated other comprehensive loss	(5,610)	(4,904)
Total stockholders' equity	540,698	555,468

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Noncontrolling interest	493	1
Total equity	541,191	555,469
Total liabilities and equity	\$1,530,493	1,529,937

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

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## INLAND REAL ESTATE CORPORATION

## Consolidated Statements of Operations and Comprehensive Income

For the three and nine months ended September 30, 2014 and 2013 (unaudited)

(In thousands except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Revenues:</b>				
Rental income	\$33,768	33,603	103,981	88,916
Tenant recoveries	12,306	13,031	44,476	33,510
Other property income	612	2,355	1,577	3,210
Fee income from unconsolidated joint ventures	1,524	1,578	4,090	5,133
Total revenues	48,210	50,567	154,124	130,769
<b>Expenses:</b>				
Property operating expenses	6,127	5,924	25,082	18,479
Real estate tax expense	9,303	10,164	28,942	24,957
Depreciation and amortization	17,185	19,683	54,116	45,671
Provision for asset impairment	—	—	222	369
General and administrative expenses	5,553	4,843	17,638	14,817
Total expenses	38,168	40,614	126,000	104,293
Operating income	10,042	9,953	28,124	26,476
Other income	390	534	1,158	1,733
Gain from settlement of receivables	—	—	—	3,095
Gain from change in control of investment properties	—	—	—	95,378
Gain on sale of investment properties, net	—	—	22,828	1,440
Gain on sale of joint venture interest	313	475	427	1,209
Interest expense	(8,752)	) (9,163)	) (26,642)	) (25,427)
Income before income tax benefit (expense) of taxable REIT subsidiaries, equity in earnings of unconsolidated joint ventures and discontinued operations	1,993	1,799	25,895	103,904
Income tax benefit (expense) of taxable REIT subsidiaries	(232)	) 296	(670)	) (1,499)
Equity in earnings of unconsolidated joint ventures	2,774	2,128	6,831	5,641
Income from continuing operations	4,535	4,223	32,056	108,046
Income from discontinued operations	31	1,440	552	8,503
Net income	4,566	5,663	32,608	116,549
Less: Net loss attributable to the noncontrolling interest	10	33	39	19
Net income attributable to Inland Real Estate Corporation	4,576	5,696	32,647	116,568
Dividends on preferred shares	(2,234)	) (2,209)	) (6,703)	) (6,715)
Net income attributable to common stockholders	\$2,342	3,487	25,944	109,853

Basic and diluted earnings attributable to common shares per weighted average common share:

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Income from continuing operations	\$0.02	0.02	0.25	1.08
Income from discontinued operations	—	0.01	0.01	0.09
Net income attributable to common stockholders per weighted average common share — basic	0.02	0.04	0.26	1.17
Weighted average number of common shares outstanding — basic	99,617	99,317	99,495	93,901
Income from continuing operations	\$0.02	0.02	0.25	1.08
Income from discontinued operations	—	0.01	0.01	0.09
Net income attributable to common stockholders per weighted average common share — diluted	0.02	0.03	0.26	1.17
Weighted average number of common shares outstanding — diluted	100,060	99,648	99,874	94,169
Comprehensive income:				
Net income attributable to common stockholders	\$2,342	3,487	25,944	109,853
Unrealized loss on investment securities	—	(413	) —	(799 )
Unrealized gain (loss) on derivative instruments	500	111	(706	) 3,952
Comprehensive income	\$2,842	3,185	25,238	113,006

Note: Basic and diluted Earnings Per Share may not foot due to rounding.

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

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INLAND REAL ESTATE CORPORATION

Consolidated Statements of Equity

For the nine months ended September 30, 2014 (unaudited)

(Dollars in thousands, except per share data)

Preferred Stock	Common Stock	Additional paid-in capital
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