

SIMON PROPERTY GROUP INC /DE/  
Form 10-Q  
August 06, 2008

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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 June 30, 2008

**SIMON PROPERTY GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation or organization)

001-14469

(Commission File No.)

046-268599

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

225 West Washington Street

Indianapolis, Indiana 46204

(Address of principal executive offices)

(317) 636-1600

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (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 Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). **Yes**  **No**

As of June 30, 2008, Simon Property Group, Inc. had 225,030,887 shares of common stock, par value \$0.0001 per share, 8,000 shares of Class B common stock, par value \$0.0001 per share, and 4,000 shares of Class C common stock, par value \$0.0001 per share outstanding.

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Simon Property Group, Inc. and Subsidiaries

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## Simon Property Group, Inc. and Subsidiaries

## Consolidated Balance Sheets

(Dollars in thousands, except share amounts)

	June 30, 2008	December 31, 2007
	<i>Unaudited</i>	
<b>ASSETS:</b>		
Investment properties, at cost	\$ 24,807,528	\$ 24,415,025
Less accumulated depreciation	5,716,139	5,312,095
	<b>19,091,389</b>	19,102,930
Cash and cash equivalents	503,879	501,982
Tenant receivables and accrued revenue, net	357,118	447,224
Investment in unconsolidated entities, at equity	1,848,730	1,886,891
Deferred costs and other assets	1,334,645	1,118,635
Note receivable from related party	534,000	548,000
<b>Total assets</b>	<b>\$ 23,669,761</b>	\$ 23,605,662
<b>LIABILITIES:</b>		
Mortgages and other indebtedness	\$ 17,693,774	\$ 17,218,674
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,127,780	1,251,044
Cash distributions and losses in partnerships and joint ventures, at equity	370,654	352,798
Other liabilities, minority interest and accrued dividends	188,288	180,644
<b>Total liabilities</b>	<b>19,380,496</b>	19,003,160
<b>COMMITMENTS AND CONTINGENCIES</b>		
LIMITED PARTNERS' INTEREST IN THE OPERATING PARTNERSHIP	671,216	731,406
LIMITED PARTNERS' PREFERRED INTEREST IN THE OPERATING PARTNERSHIP	235,705	307,713
<b>STOCKHOLDERS' EQUITY:</b>		
CAPITAL STOCK (750,000,000 total shares authorized, \$.0001 par value, 237,996,000 shares of excess common stock):		
All series of preferred stock, 100,000,000 shares authorized, 14,806,671 and 14,801,884 issued and outstanding, respectively, and with liquidation values of \$740,334 and \$740,094, respectively	746,683	746,608
Common stock, \$.0001 par value, 400,000,000 shares authorized, 229,410,283 and 227,719,614 issued and outstanding, respectively	24	23
Class B common stock, \$.0001 par value, 12,000,000 shares authorized, 8,000 issued and outstanding		
Class C common stock, \$.0001 par value, 4,000 shares authorized, issued and outstanding		
Capital in excess of par value	5,111,006	5,067,718
Accumulated deficit	(2,294,230)	(2,055,447)
Accumulated other comprehensive income	5,071	18,087
Common stock held in treasury at cost, 4,379,396 and 4,697,332 shares, respectively	(186,210)	(213,606)
<b>Total stockholders' equity</b>	<b>3,382,344</b>	3,563,383
<b>Total liabilities and stockholders' equity</b>	<b>\$ 23,669,761</b>	\$ 23,605,662

The accompanying notes are an integral part of these statements.



## Simon Property Group, Inc. and Subsidiaries

Unaudited Consolidated Statements of Operations and Comprehensive Income  
(Dollars in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
<b>REVENUE:</b>				
Minimum rent	\$ 566,199	\$ 522,086	\$ 1,116,881	\$ 1,032,951
Overage rent	17,836	18,634	34,487	36,526
Tenant reimbursements	259,803	237,984	510,051	468,597
Management fees and other revenues	34,879	17,542	67,899	38,417
Other income	44,230	59,686	88,927	131,582
<b>Total revenue</b>	<b>922,947</b>	<b>855,932</b>	<b>1,818,245</b>	<b>1,708,073</b>
<b>EXPENSES:</b>				
Property operating	111,911	112,122	224,672	221,349
Depreciation and amortization	236,617	230,611	464,660	445,882
Real estate taxes	85,450	79,063	169,970	158,245
Repairs and maintenance	25,845	28,744	54,866	57,751
Advertising and promotion	21,739	20,410	41,112	39,294
Provision for credit losses	6,781	1,424	13,363	1,966
Home and regional office costs	34,844	29,270	74,444	62,969
General and administrative	5,095	6,119	10,397	10,018
Other	15,259	14,618	33,397	28,082
<b>Total operating expenses</b>	<b>543,541</b>	<b>522,381</b>	<b>1,086,881</b>	<b>1,025,556</b>
<b>OPERATING INCOME</b>	<b>379,406</b>	<b>333,551</b>	<b>731,364</b>	<b>682,517</b>
Interest expense	(232,335)	(243,654)	(462,252)	(466,132)
Loss on extinguishment of debt	(20,330)		(20,330)	
Minority interest in income of consolidated entities	(3,060)	(3,136)	(5,344)	(6,046)
Income tax benefit (expense) of taxable REIT subsidiaries	(627)	528	(604)	(757)
Income (loss) from unconsolidated entities	(11,393)	7,459	(4,252)	29,232
Gain on sale of interest in unconsolidated entity		500		500
Limited partners' interest in the Operating Partnership	(19,516)	(15,448)	(42,249)	(41,326)
Preferred distributions of the Operating Partnership	(4,228)	(5,597)	(9,132)	(10,836)
<b>Income from continuing operations</b>	<b>87,917</b>	<b>74,203</b>	<b>187,201</b>	<b>187,152</b>
Discontinued operations, net of Limited Partners' interest		17		(145)
<b>NET INCOME</b>	<b>87,917</b>	<b>74,220</b>	<b>187,201</b>	<b>187,007</b>
Preferred dividends	(11,345)	(14,303)	(22,696)	(28,709)
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 76,572</b>	<b>\$ 59,917</b>	<b>\$ 164,505</b>	<b>\$ 158,298</b>
<b>BASIC EARNINGS PER COMMON SHARE:</b>				
Income from continuing operations	\$ 0.34	\$ 0.27	\$ 0.73	\$ 0.71
Discontinued operations				
<b>Net income</b>	<b>\$ 0.34</b>	<b>\$ 0.27</b>	<b>\$ 0.73</b>	<b>\$ 0.71</b>
<b>DILUTED EARNINGS PER COMMON SHARE:</b>				
Income from continuing operations	\$ 0.34	\$ 0.27	\$ 0.73	\$ 0.71

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Discontinued operations								
<b>Net income</b>	\$	<b>0.34</b>	\$	0.27	\$	<b>0.73</b>	\$	0.71
<b>Net Income</b>	\$	<b>87,917</b>	\$	74,220	\$	<b>187,201</b>	\$	187,007
Unrealized gain (loss) on interest rate hedge agreements		<b>14,745</b>		2,610		<b>(101)</b>		2,244
Net income (loss) on derivative instruments reclassified from accumulated other comprehensive income into interest expense		<b>(508)</b>		430		<b>(2,566)</b>		805
Currency translation adjustments		<b>11,687</b>		1,075		<b>(6,106)</b>		1,195
Other income (loss)		<b>(3,250)</b>		1		<b>(4,244)</b>		(577)
<b>Comprehensive Income</b>	\$	<b>110,591</b>	\$	78,336	\$	<b>174,184</b>	\$	190,674

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

**Simon Property Group, Inc. and Subsidiaries**  
*Unaudited Consolidated Statements of Cash Flows*  
(Dollars in thousands)

	<b>For the Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income</b>	<b>\$ 187,201</b>	\$ 187,007
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	<b>450,515</b>	429,522
Gain on sale of interest in unconsolidated entity		(500)
Limited partners' interest in the Operating Partnership	<b>42,249</b>	41,326
Limited partners' interest in the results of operations from discontinued operations		(38)
Preferred distributions of the Operating Partnership	<b>9,132</b>	10,836
Straight-line rent	<b>(18,324)</b>	(8,312)
Minority interest	<b>5,344</b>	