

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Form 10-Q/A

February 12, 2014

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2013

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: 1-6300

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
(Exact name of Registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	23-6216339 (I.R.S. Employer Identification No.)
---	---

200 South Broad Street Philadelphia, PA (Address of principal executive offices)	19102 (Zip Code)
--	---------------------

Registrant's telephone number, including area code (215) 875-0700

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 (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). 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 company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company) Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common shares of beneficial interest, \$1.00 par value per share, outstanding at October 25, 2013: 68,202,291

Table of Contents

Explanatory Note

Pennsylvania Real Estate Investment Trust (the “Company”) is filing this Amendment No. 1 (the “Amendment”) to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (the “Form 10-Q”), which the Company originally filed with the Securities and Exchange Commission on October 30, 2013. This Amendment amends the Form 10-Q to include Exhibits 31 and 32, which were inadvertently omitted from the transmission of the original filing due to a technological error. The certification process had been completed and the certifications themselves had been executed prior to the filing of the original Form 10-Q. Except as described above, this Amendment does not amend or modify any of the other information included in the original Form 10-Q, nor does it modify or update any information included in the original Form 10-Q to reflect any events, developments or results that occurred subsequent to October 30, 2013. Pursuant to Rule 12b-15 under the Securities Act of 1934, as amended, new certifications dated as of the date hereof by the Company’s principal executive officer and principal financial officer are being filed herewith as exhibits to this Amendment.

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONTENTS

	Page
PART I—FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited):	
<u>Consolidated Balance Sheets—September 30, 2013 and December 31, 2012</u>	<u>1</u>
<u>Consolidated Statements of Operations—Three and Nine Months Ended September 30, 2013 and 2012</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income (Loss)—Three and Nine Months Ended September 30, 2013 and 2012</u>	<u>4</u>
<u>Consolidated Statements of Equity—Nine Months Ended September 30, 2013</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows—Nine Months Ended September 30, 2013 and 2012</u>	<u>6</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
Item 4. <u>Controls and Procedures</u>	<u>45</u>
PART II—OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>46</u>
Item 1A. <u>Risk Factors</u>	<u>46</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>46</u>
Item 3. Not Applicable	—
Item 4. Not Applicable	—
Item 5. Not Applicable	—
Item 6. <u>Exhibits</u>	<u>47</u>
<u>Signatures</u>	<u>48</u>

Except as the context otherwise requires, references in this Quarterly Report on Form 10-Q to “we,” “our,” “us,” the “Company” and “PREIT” refer to Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating partnership, PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to “PREIT Associates” or the “Operating Partnership” refer to PREIT Associates, L.P.

Table of ContentsPENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	September 30, 2013 (unaudited)	December 31, 2012
ASSETS:		
INVESTMENTS IN REAL ESTATE, at cost:		
Operating properties	\$3,422,311	\$3,395,681
Construction in progress	88,390	68,619
Land held for development	10,450	13,240
Total investments in real estate	3,521,151	3,477,540
Accumulated depreciation	(993,735) (907,928
Net investments in real estate	2,527,416	2,569,612
INVESTMENTS IN PARTNERSHIPS, at equity:		
OTHER ASSETS:		
Cash and cash equivalents	24,893	33,990
Tenant and other receivables (net of allowance for doubtful accounts of \$14,159 and \$14,042 at September 30, 2013 and December 31, 2012, respectively)	35,535	38,473
Intangible assets (net of accumulated amortization of \$14,410 and \$14,940 at September 30, 2013 and December 31, 2012, respectively)	9,447	8,673
Deferred costs and other assets	100,223	97,399
Assets held for sale	—	114,622
Total assets	\$2,713,129	\$2,877,624
LIABILITIES:		
Mortgage loans payable	\$1,538,102	\$1,718,052
Term Loan	—	182,000
Revolving Facility	90,000	—
Tenants' deposits and deferred rent	15,411	14,862
Distributions in excess of partnership investments	64,187	64,874
Fair value of derivative instruments	1,387	9,742
Liabilities on assets held for sale	—	102,417
Accrued expenses and other liabilities	72,315	72,448
Total liabilities	1,781,402	2,164,395
COMMITMENTS AND CONTINGENCIES (Note 6):		
EQUITY:		
Series A Preferred Shares, \$.01 par value per share; 25,000 preferred shares authorized; 4,600 shares of Series A Preferred Shares issued and outstanding at each \$46 of September 30, 2013 and December 31, 2012; liquidation preference of \$115,000		\$46
Series B Preferred Shares, \$.01 par value per share; 25,000 preferred shares authorized; 3,450 shares of Series B Preferred Shares issued and outstanding at each 35 of September 30, 2013 and December 31, 2012; liquidation preference of \$86,250		35
Shares of beneficial interest, \$1.00 par value per share; 200,000 shares authorized; issued and outstanding 68,202 shares at September 30, 2013 and 56,331 shares at December 31, 2012	68,202	56,331
Capital contributed in excess of par	1,463,845	1,247,730
Accumulated other comprehensive loss	(7,804) (20,867
Distributions in excess of net income	(626,885) (608,634
Total equity—Pennsylvania Real Estate Investment Trust	897,439	674,641
Noncontrolling interest	34,288	38,588

Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form 10-Q/A

Total equity	931,727	713,229
Total liabilities and equity	\$2,713,129	\$2,877,624

See accompanying notes to the unaudited consolidated financial statements.

1

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
REVENUE:				
Real estate revenue:				
Base rent	\$70,646	\$67,951	\$209,990	\$201,340
Expense reimbursements	33,517	30,959	95,704	91,280
Percentage rent	593	694	2,169	2,099
Lease termination revenue	336	279	579	1,691
Other real estate revenue	3,186	2,965	8,953	8,723
Total real estate revenue	108,278	102,848	317,395	305,133
Other income	3,208	2,608	5,491	4,254
Total revenue	111,486	105,456	322,886	309,387
EXPENSES:				
Operating expenses:				
CAM and real estate taxes	(36,938)	(33,755)	(107,426)	(100,557)
Utilities	(6,954)	(6,637)	(17,213)	(17,525)
Other operating expenses	(4,806)	(5,228)	(12,824)	(13,815)
Total operating expenses	(48,698)	(45,620)	(137,463)	(131,897)
Depreciation and amortization	(36,053)	(31,918)	(105,332)	(95,232)
Other expenses:				
General and administrative expenses	(8,116)	(8,694)	(26,578)	(28,818)
Impairment of assets	(29,966)		(29,966)	
Provision for employee separation expense	—	(4,958)	(2,314)	(5,754)
Project costs and other expenses	(462)	(380)	(862)	(777)
Total other expenses	(38,544)	(14,032)	(59,720)	(35,349)
Interest expense, net	(23,477)	(29,996)	(78,503)	(91,531)
Total expenses	(146,772)	(121,566)	(381,018)	(354,009)
Loss before equity in income of partnerships, discontinued operations and gains on sales of discontinued operations	(35,286)	(16,110)	(58,132)	(44,622)
Equity in income of partnerships	2,345	2,164	7,081	6,110
Loss from continuing operations	(32,941)	(13,946)	(51,051)	(38,512)
Discontinued operations:				
Operating results from discontinued operations	428	1,085	2,082	2,834
Gains on sales of discontinued operations	45,097	—	78,351	—
Income from discontinued operations	45,525	1,085	80,433	2,834
Net income (loss)	12,584	(12,861)	29,382	(35,678)
Less: net (income) loss attributable to noncontrolling interest	(382)	508	(1,073)	1,440
Net income (loss) attributable to PREIT	12,202	(12,353)	28,309	(34,238)
Less: dividends on preferred shares	(3,962)	(2,372)	(11,886)	(4,217)
Net income (loss) attributable to PREIT common shareholders	\$8,240	\$(14,725)	\$16,423	\$(38,455)

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands of dollars, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Loss from continuing operations	\$(32,941)	\$(13,946)	\$(51,051)	\$(38,512)
Noncontrolling interest	992	551	1,656	1,552
Dividends on preferred shares	(3,962)	(2,372)	(11,886)	(4,217)
Dividends on unvested restricted shares	(108)	(132)	(319)	(321)
Loss from continuing operations used to calculate loss per share—basic and diluted	\$(36,019)	\$(15,899)	\$(61,600)	\$(41,498)
Income from discontinued operations	\$45,525	\$1,085	\$80,433	\$2,834
Noncontrolling interest	(1,374)	(43)	(2,729)	(112)
Income from discontinued operations used to calculate earnings per share—basic and diluted	\$44,151	\$1,042	\$77,704	\$2,722
Basic and diluted earnings (loss) per share:				
Loss from continuing operations	\$(0.53)	\$(0.29)	\$(0.99)	\$(0.75)
Income from discontinued operations	0.65	0.02	1.25	0.05
	\$0.12	\$(0.27)	\$0.26	