

CommonWealth REIT
Form 10-Q
November 07, 2013
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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, 2013

OR

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

Commission File Number 1-9317

COMMONWEALTH REIT

(Exact Name of Registrant as Specified in Its Charter)

Maryland

04-6558834

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(State or Other Jurisdiction of Incorporation or Organization)

(IRS Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts

(Address of Principal Executive Offices)

02458-1634

(Zip Code)

617-332-3990

(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 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. (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

Number of registrant's common shares of beneficial interest, \$0.01 par value per share, outstanding as of November 4, 2013: 118,387,518.

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References in this Quarterly Report on Form 10-Q to the Company, CWH, we, us or our refer to CommonWealth REIT and its consolidated subsidiaries, as of September 30, 2013, unless the context indicates otherwise. On July 2, 2013, Select Income REIT, or SIR, completed an underwritten public offering of its common shares, at which time CWH ceased to own a majority of SIR's common shares. Accordingly, following July 2, 2013, CWH no longer consolidates its investment in SIR, but instead accounts for such investment under the equity method.

The financial information presented in this Quarterly Report on Form 10-Q includes SIR's financial position and results of operations for periods prior to July 2, 2013 when SIR was CWH's consolidated subsidiary, unless the context indicates otherwise. SIR is itself a public company that has common shares registered under the Securities Exchange Act of 1934, as amended. For further information about SIR, please see SIR's periodic reports and other filings with the Securities and Exchange Commission, or the SEC, which are available at the SEC's website at www.sec.gov. References in this Quarterly Report on Form 10-Q to SIR's filings with the SEC are included as textual references only, and the information in SIR's filings with the SEC is not incorporated by reference into this Quarterly Report on Form 10-Q unless otherwise expressly stated herein.

Table of Contents**PART I. Financial Information****Item 1. Financial Statements.****COMMONWEALTH REIT****CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except share data)

(unaudited)

ASSETS			
Real estate properties:			
Land	\$	740,613	\$ 1,531,416
Buildings and improvements		4,890,457	6,297,993
		5,631,070	7,829,409
Accumulated depreciation		(874,032)	(1,007,606)
		4,757,038	6,821,803
Properties held for sale		678,250	171,832
Acquired real estate leases, net		272,381	427,756
Equity investments		517,254	184,711
Cash and cash equivalents		165,990	102,219
Restricted cash		17,443	16,626
Rents receivable, net of allowance for doubtful accounts of \$7,750 and \$9,962, respectively		218,301	253,394
Other assets, net		195,330	211,293
Total assets	\$	6,821,987	\$ 8,189,634
LIABILITIES AND SHAREHOLDERS EQUITY			
Revolving credit facility	\$	235,000	\$ 297,000
SIR revolving credit facility			95,000
Senior unsecured debt, net		1,954,701	2,972,994
Mortgage notes payable, net		925,120	984,827
Liabilities related to properties held for sale		30,322	2,339
Accounts payable and accrued expenses		169,498	194,184
Assumed real estate lease obligations, net		38,087	69,304
Rent collected in advance		29,220	35,700
Security deposits		12,442	23,860
Due to related persons		6,564	12,958
Total liabilities		3,400,954	4,688,166
Shareholders' equity:			
Shareholders' equity attributable to Commonwealth REIT:			
Preferred shares of beneficial interest, \$0.01 par value: 50,000,000 shares authorized;			

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Series D preferred shares; 6 1/2% cumulative convertible; 15,180,000 shares issued and outstanding, aggregate liquidation preference \$379,500	368,270	368,270
Series E preferred shares; 7 1/4% cumulative redeemable on or after May 15, 2016; 11,000,000 shares issued and outstanding, aggregate liquidation preference \$275,000	265,391	265,391
Common shares of beneficial interest, \$0.01 par value: 350,000,000 shares authorized; 118,387,518 and 83,804,068 shares issued and outstanding, respectively	1,184	838
Additional paid in capital	4,213,472	3,585,400
Cumulative net income	2,215,141	2,386,900
Cumulative other comprehensive (loss) income	(26,930)	565
Cumulative common distributions	(3,052,675)	(2,972,569)
Cumulative preferred distributions	(562,820)	(529,367)
Total shareholders' equity attributable to CommonWealth REIT	3,421,033	3,105,428
Noncontrolling interest in consolidated subsidiary		396,040
Total shareholders' equity	3,421,033	3,501,468
Total liabilities and shareholders' equity	\$ 6,821,987	