SAUL CENTERS INC
Form 10-Q
November 02, 2015

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, 2015
Commission File Number 1-12254

SAUL CENTERS, INC.
(Exact name of registrant as specified in its charter)

Maryland	52-1833074
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7501 Wisconsin Avenue, Bethesda, Maryland 20814
(Address of principal executive office) (Zip Code)
Registrant's telephone number, including area code (301) 986-6200

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 requirement for the past 90 days. YES x NO o

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 x NO o

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 "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o

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

Number of shares of common stock, par value $0.01 per share outstanding as of October 30, 2015: 21.2 million.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2014, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

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Saul Centers, Inc.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Real estate investments		
Land	$424,837	$420,622
Buildings and equipment	1,110,255	1,109,276
Construction in progress	69,175	30,261
	1,604,267	1,560,159
Accumulated depreciation	(416,531)	(396,617)
	1,187,736	1,163,542
Cash and cash equivalents	8,922	12,128
Accounts receivable and accrued income, net	50,843	46,784
Deferred leasing costs, net	26,891	26,928
Prepaid expenses, net	8,115	4,093
Deferred debt costs, net	9,091	9,874
Other assets	5,352	3,638
Total assets	$1,296,950	$1,266,987
Liabilities		
Notes payable	$807,990	$808,997
Revolving credit facility payable	30,000	43,000
Construction loan payable	31,413	5,391
Dividends and distributions payable	15,329	14,352
Accounts payable, accrued expenses and other liabilities	31,701	23,537
Deferred income	32,520	32,453
Total liabilities	948,953	927,730
Stockholders’ equity		
Preferred stock, 1,000,000 shares authorized:		
Series C Cumulative Redeemable, 72,000 shares issued and outstanding	180,000	180,000
Common stock, $0.01 par value, 40,000,000 shares authorized, 21,177,762 and 20,947,141 shares issued and outstanding, respectively	212	209
Additional paid-in capital	300,230	287,995
Accumulated deficit	(179,102)	(173,774)
Accumulated other comprehensive loss	(2,272)	(1,894)
Total Saul Centers, Inc. stockholders’ equity	299,068	292,536
Noncontrolling interest	48,929	46,721
Total stockholders’ equity	347,997	339,257
Total liabilities and stockholders’ equity	$1,296,950	$1,266,987

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue				
Base rent	$42,431	$41,452	$125,786	$123,053
Expense recoveries	8,181	7,734	24,710	24,348
Percentage rent	157	187	1,153	1,092
Other	1,607	1,222	4,526	7,335
Total revenue	52,376	50,595	156,175	155,828
Operating expenses				
Property operating expenses	6,308	6,316	20,120	20,039
Provision for credit losses	621	170	1,281	480
Real estate taxes	5,933	5,594	17,710	16,631
Interest expense and amortization of deferred debt costs	11,229	11,584	33,988	34,537
Depreciation and amortization of deferred leasing costs	11,131	10,256	32,382	30,745
General and administrative	3,802	3,837	11,712	12,540
Acquisition related costs	57	359	78	738
Predevelopment expenses	57	—	57	503
Total operating expenses	39,138	38,116	117,328	116,213
Operating income	13,238	12,479	38,847	39,615
Change in fair value of derivatives	(6)	1	(12)	(6)
Gain on sale of property	—	—	11	6,069
Net Income	13,232	12,480	38,846	45,678
Noncontrolling interests				
Income attributable to noncontrolling interests	(2,617)	(2,374)	(7,628)	(9,231)
Net income attributable to Saul Centers, Inc.	10,615	10,106	31,218	36,447
Preferred stock dividends	(3,093)	(3,206)	(9,281)	(9,619)
Net income attributable to common stockholders	$7,522	$6,900	$21,937	$26,828
Per share net income attributable to common stockholders				
Basic and diluted	$0.36	$0.33	$1.04	$1.29
Dividends declared per common share outstanding	$0.43	$0.40	$1.29	$1.20

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Net income	$13,232	$12,480	$38,846	$45,678
Other comprehensive income				
Change in unrealized loss on cash flow hedge	(561)	374	(510)	(273)
Total comprehensive income	12,671	12,854	38,336	45,405
Comprehensive income attributable to noncontrolling interests	(2,471)	(2,470)	(7,496)	(9,161)
Total comprehensive income attributable to Saul Centers, Inc.	10,200	10,384	30,840	36,244
Preferred stock dividends	(3,093)	(3,206)	(9,281)	(9,619)
Total comprehensive income attributable to common stockholders	$7,107	$7,178	$21,559	$26,625

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interest	Total
Balance, December 31, 2014	$180,000	$209	$287,995	$(173,774)	$(1,894)	$292,536	$46,721	$339,257
Issuance of 230,621 shares of common stock: 153,897 shares pursuant to dividend reinvestment plan	—	2	8,011	—	—	8,013	—	8,013
76,724 shares due to exercise of employee stock options and issuance of directors' deferred stock	—	1	4,224	—	—	4,225	—	4,225
Issuance of 78,101 partnership units pursuant to dividend reinvestment plan	—	—	—	—	—	—	4,060	4,060
Net income	—	—	—	31,218	—	31,218	7,628	38,846
Change in unrealized loss on cash flow hedge	—	—	—	—	(378)	(378)	(132)	(510)
Series C preferred stock distributions	—	—	—	(6,188)	—	(6,188)	—	(6,188)
Common stock distributions	—	—	—	(18,159)	—	(18,159)	(6,219)	(24,378)
Distributions payable on Series C preferred stock ($42.97/share)	—	—	—	(3,093)	—	(3,093)	—	(3,093)
Distributions payable common stock ($0.43/share) and distributions payable partnership units ($0.43/unit)	—	—	—	(9,106)	—	(9,106)	(3,129)	(12,235)
Balance, September 30, 2015	$180,000	$212	$300,230	$(179,102)	$(2,272)	$299,068	$48,929	$347,997

The Notes to Financial Statements are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
(Dollars in thousands)	2015	2014
Cash flows from operating activities:		
Net income	$38,846	$45,678
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in fair value of derivatives	12	6
Gain on sale of property	(11)	(6,069)
Depreciation and amortization of deferred leasing costs	32,382	30,745
Amortization of deferred debt costs	1,094	969
Non cash compensation costs of stock grants and options	1,136	977
Provision for credit losses	1,281	480
Increase in accounts receivable and accrued income	(5,340)	(3,282)
Additions to deferred leasing costs	(4,125)	(2,830)
Increase in prepaid expenses	(4,022)	(2,825)
(Increase) decrease in other assets	1,590	(355)
Increase in accounts payable, accrued expenses and other liabilities	1,816	4,172
Increase (decrease) in deferred income	67	(1,537)
Net cash provided by operating activities	64,726	66,129
Cash flows from investing activities:		
Acquisitions of real estate investments (1)	(4,894)	(48,545)
Additions to real estate investments	(13,271)	(11,174)
Additions to development and redevelopment projects	(31,748)	(10,193)
Proceeds from sale of property	32	6,679
Net cash used in investing activities	(49,881)	(63,233)
Cash flows from financing activities:		
Proceeds from notes payable (1)	46,000	—
Repayments on notes payable	(47,007)	(16,462)
Proceeds from revolving credit facility	15,000	41,000
Repayments on revolving credit facility	(28,000)	(11,000)
Proceeds from construction loan	26,022	1,859
Additions to deferred debt costs	(311)	(1,286)
Proceeds from the issuance of:		
Common stock	11,102	12,054
Partnership units	4,060	8,877
Distributions to:		
Series A preferred stockholders	—	(2,400)
Series C preferred stockholders	(9,281)	(7,219)
Common stockholders	(26,538)	(23,997)
Noncontrolling interests	(9,098)	(8,597)
Net cash used in financing activities	(18,051)	(7,171)
Net decrease in cash and cash equivalents	(3,206)	(4,275)
Cash and cash equivalents, beginning of period	12,128	17,297
Cash and cash equivalents, end of period	$8,922	$13,022

Supplemental discussion of non-cash investing and financing activities:
(1) The 2014 acquisition of real estate and proceeds from notes payable each exclude $11,000 in connection with the

sale and leaseback of the Company's Olney property.

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Notes to Consolidated Financial Statements (Unaudited)

1. Organization, Formation and Structure

Saul Centers, Inc. ("Saul Centers") was incorporated under the Maryland General Corporation Law on June 10, 1993, and operates as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). The Company is required to annually distribute at least 90% of its REIT taxable income (excluding net capital gains) to its stockholders and meet certain organizational and other requirements. Saul Centers has made and intends to continue to make regular quarterly distributions to its stockholders. Saul Centers, together with its wholly-owned subsidiaries and the limited partnerships of which Saul Centers or one of its subsidiaries is the sole general partner, are referred to collectively as the "Company." B. Francis Saul II serves as Chairman of the Board of Directors and Chief Executive Officer of Saul Centers.

Saul Centers was formed to continue and expand the shopping center business previously owned and conducted by the B. F. Saul Real Estate Investment Trust, the B. F. Saul Company and certain other affiliated entities, each of which is controlled by B. Francis Saul II and his family members (collectively, the "Saul Organization"). On August 26, 1993, members of the Saul Organization transferred to Saul Holdings Limited Partnership, a newly formed Maryland limited partnership (the "Operating Partnership"), and two newly formed subsidiary limited partnerships (the "Subsidiary Partnerships," and, collectively with the Operating Partnership, the "Partnerships"), shopping center and mixed-use properties and the management functions related to the transferred properties. Since its formation, the Company has developed and purchased additional properties.

The following table lists the properties acquired, in development and disposed since December 31, 2013.

Name of Property	Location	Type	Year of Acquisition/ Development/Disposition
Acquisitions			
1580 Rockville Pike	Rockville, MD	Shopping Center	2014
1582 Rockville Pike	Rockville, MD	Shopping Center	2014
750 N. Glebe Road	Arlington, VA	Shopping Center	2014
730 N. Glebe Road	Arlington, VA	Shopping Center	2014
726 N. Glebe Road	Arlington, VA	Shopping Center	2015
1584 Rockville Pike	Rockville, MD	Shopping Center	2014
Developments			
Park Van Ness	Washington, DC	Mixed-Use	2013-2015
Dispositions			
Giant	Baltimore, MD	Shopping Center	2014

As of September 30, 2015, the Company's properties (the "Current Portfolio Properties") consisted of 50 operating shopping center properties (the "Shopping Centers"), six mixed-use properties which are comprised of office, retail and multi-family residential uses, one of which is held for sale, (the "Mixed-Use Properties") and three (non-operating) development properties.

2. Summary of Significant Accounting Policies

Nature of Operations

The Company, which conducts all of its activities through its subsidiaries, the Operating Partnership and Subsidiary Partnerships, engages in the ownership, operation, management, leasing, acquisition, renovation, expansion, development and financing of community and neighborhood shopping centers and mixed-use properties, primarily in the Washington, DC/Baltimore metropolitan area.

Because the properties are located primarily in the Washington, DC/Baltimore metropolitan area, the Company is subject to a concentration of credit risk related to these properties. A majority of the Shopping Centers are anchored by one or more major tenants. As of September 30, 2015, 31 of the Shopping Centers were anchored by a grocery store and offer primarily day-to-day necessities and services. Two tenants individually accounted for 2.5% or more of the Company’s total revenue for the nine months ended September 30, 2015. Giant Food, a tenant at nine Shopping Centers, and Safeway, a tenant at eight Shopping Centers, individually accounted for 4.5% and 2.5%, respectively, of the Company's total revenue for the nine months ended September 30, 2015.

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Notes to Consolidated Financial Statements (Unaudited)

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of Saul Centers and its subsidiaries, including the Operating Partnership and Subsidiary Partnerships, which are majority owned by Saul Centers. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2014, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable, Accrued Income and Allowance for Doubtful Accounts

Accounts receivable primarily represent amounts currently due from tenants in accordance with the terms of the respective leases. Receivables are reviewed monthly and reserves are established with a charge to current period operations when, in the opinion of management, collection of the receivable is doubtful. Accounts receivable in the accompanying financial statements are shown net of an allowance for doubtful accounts of approximately $1.6 million and $0.7 million at September 30, 2015 and December 31, 2014, respectively.

In addition to rents due currently, accounts receivable includes approximately $40.6 million and $38.7 million, at September 30, 2015 and December 31, 2014, respectively, net of allowance for doubtful accounts totaling $0.5 million and $0.3 million, respectively, representing minimum rental income accrued on a straight-line basis to be paid by tenants over the remaining term of their respective leases.

Assets Held for Sale

The Company considers properties to be assets held for sale when all of the following criteria are met:

- management commits to a plan to sell a property;
- it is unlikely that the disposal plan will be significantly modified or discontinued;
- the property is available for immediate sale in its present condition;
- actions required to complete the sale of the property have been initiated;
- sale of the property is probable and the Company expects the completed sale will occur within one year; and
- the property is actively being marketed for sale at a price that is reasonable given its current market value.

The Company must make a determination as to the point in time that it is probable that a sale will be consummated, which generally occurs when an executed sales contract has no contingencies and the prospective buyer has significant funds at risk to ensure performance. Upon designation as an asset held for sale, the Company records the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and ceases depreciation. As of September 30, 2015, the Company has classified as held-for-sale one operating property, comprising 197,127 square feet of gross leasable area. The book value of this property, which is included in Other Assets, was $3.3 million, net of accumulated depreciation of $7.0 million, which does not exceed its estimated fair value, less costs to sell, and liabilities were $0.4 million. Fair value was determined based on a third party appraisal.

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Notes to Consolidated Financial Statements (Unaudited)

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments. Short-term investments include money market accounts and other investments which generally mature within three months, measured from the acquisition date, and/or are readily convertible to cash.

Construction In Progress

Construction in progress includes land, preconstruction and development costs of active projects. Preconstruction costs include legal, zoning and permitting costs and other project carrying costs incurred prior to the commencement of construction. Development costs include direct construction costs and indirect costs incurred subsequent to the start of construction such as architectural, engineering, construction management and carrying costs consisting of interest, real estate taxes and insurance. Construction in progress as of September 30, 2015 and December 31, 2014, is composed of the following:

(in thousands)	September 30, 2015	December 31, 2014
Park Van Ness	$63,495	$26,998
Other	5,680	3,263
Total	$69,175	$30,261

Deferred Debt Costs

Deferred debt costs consist of fees and costs incurred to obtain long-term financing, construction financing and the revolving line of credit. These fees and costs are being amortized on a straight-line basis over the terms of the respective loans or agreements, which approximates the effective interest method. Deferred debt costs totaled $9.1 million and $9.9 million, net of accumulated amortization of $6.6 million and $5.9 million, at September 30, 2015 and December 31, 2014, respectively.

Deferred Income

Deferred income consists of payments received from tenants prior to the time they are earned and recognized by the Company as revenue, including tenant prepayment of rent for future periods, real estate taxes when the taxing jurisdiction has a fiscal year differing from the calendar year, reimbursements specified in the lease agreement and tenant construction work provided by the Company. In addition, deferred income includes the fair value of certain below market leases.

Deferred Leasing Costs

Deferred leasing costs consist of commissions paid to third-party leasing agents, internal direct costs such as employee compensation and payroll-related fringe benefits directly related to time spent performing leasing-related activities for successful commercial leases and amounts attributed to in-place leases associated with acquired properties. Leasing related activities include evaluating the prospective tenant’s financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating lease terms, preparing lease documents and closing the transaction. Unamortized deferred costs are charged to expense if the applicable lease is terminated prior to expiration of the initial lease term. Deferred leasing costs are amortized over the term of the lease or remaining term of acquired leases. Collectively, deferred leasing costs totaled $26.9 million and $26.9 million, net of accumulated amortization of $25.4 million and $21.6 million, as of September 30, 2015 and December 31, 2014, respectively. Amortization expense, included in depreciation and amortization of deferred leasing costs in the consolidated statements of operations, totaled $4.2 million and $3.9 million for the nine months ended September 30, 2015 and 2014, respectively.

Derivative Financial Instruments

The Company may, when appropriate, employ derivative instruments, such as interest-rate swaps, to mitigate the risk of interest rate fluctuations. The Company does not enter into derivative or other financial instruments for trading or speculative purposes. Derivative financial instruments are carried at fair value as either assets or liabilities on the consolidated balance sheets. For those derivative instruments that qualify and are designated as hedging instruments, the Company designates the hedging instrument, based upon the exposure being hedged, as a fair value hedge or a cash flow hedge. For those derivative instruments that qualify and are designated as hedging instruments, the effective portion of the gain or loss on the hedge instruments is reported as a component of accumulated other comprehensive income (loss) and recognized in earnings within the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the change in fair value of a derivative instrument is immediately recognized in

Notes to Consolidated Financial Statements (Unaudited)

earnings. For derivative instruments that do not qualify, or that qualify and are not designated, as hedging instruments, changes in fair value are immediately recognized in earnings.

Derivative financial instruments expose us to credit risk in the event of non-performance by the counterparties under the terms of the derivative instrument. The Company minimizes its credit risk on these transactions by dealing with major, creditworthy financial institutions as determined by management, and therefore, it believes that the likelihood of realizing losses from counterparty non-performance is remote.

Income Taxes

The Company made an election to be treated, and intends to continue operating so as to qualify, as a REIT under the Code, commencing with its taxable year ended December 31, 1993. A REIT generally will not be subject to federal income taxation, provided that distributions to its stockholders equal or exceed its REIT taxable income and it complies with certain other requirements. Therefore, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

Legal Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, which are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, the Company believes the final outcome of such matters will not have a material adverse effect on its financial position or results of operations. Upon determination that a loss is probable to occur and can be reasonably estimated, the estimated amount of the loss is recorded in the financial statements. Both the amount of the loss and the point at which its occurrence is considered probable can be difficult to determine.

Postemployment Benefits

From time to time, the Company may enter into an arrangement with an employee at the time of the employee’s separation from service whereby the employee will receive certain payments in exchange for certain releases, covenants not to compete, or other promises. If no future services are required in order for the employee to receive the payments, the Company estimates the amount of payments to be made over the life of the arrangement and records that amount as an expense as of the date of the arrangement with a corresponding liability representing the amount to be paid in the future.

Predevelopment Expenses

Predevelopment expenses represent certain costs incurred by the Company in connection with active development and redevelopment projects and include, for example, costs related to the early termination of tenant leases and demolition of existing structures.

Real Estate Investment Properties

The Company purchases real estate investment properties from time to time and records assets acquired and liabilities assumed, including land, buildings, and intangibles related to in-place leases and customer relationships, based on their fair values. The fair value of buildings generally is determined as if the buildings were vacant upon acquisition and subsequently leased at market rental rates and considers the present value of all cash flows expected to be generated by the property including an initial lease up period. From time to time the Company may purchase a property for future development purposes. The Company determines the fair value of above and below market intangibles associated with in-place leases by assessing the net effective rent and remaining term of the lease relative to market terms for similar leases at acquisition taking into consideration the remaining contractual lease period, renewal periods, and the likelihood of the tenant exercising its renewal options. The fair value of below market lease intangibles is recorded as deferred income and accreted as additional revenue over the remaining contractual lease period and any renewal option periods included in the valuation analysis. The fair value of above market lease intangibles is recorded as a deferred asset and amortized as a reduction of revenue over the remaining contractual lease term. The Company determines the fair value of at-market in-place leases considering the cost of acquiring similar leases, the foregone rents associated with the lease-up period and carrying costs associated with the lease-up period. Intangible assets associated with at-market in-place leases are amortized as additional expense over the remaining contractual lease term. To the extent customer relationship intangibles are present in an acquisition, the fair values of the intangibles are amortized over the lives of the customer relationships. The Company has never recorded a customer relationship intangible asset. Acquisition-related transaction costs are generally charged to expense as incurred and reported as acquisition related costs in the consolidated statements of operations.

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Notes to Consolidated Financial Statements (Unaudited)

If there is an event or change in circumstance that indicates a potential impairment in the value of a real estate investment property, the Company prepares an analysis to determine whether the carrying value of the real estate investment property exceeds its estimated fair value. The Company considers both quantitative and qualitative factors including recurring operating losses, significant decreases in occupancy, and significant adverse changes in legal factors and business climate. If impairment indicators are present, the Company compares the projected cash flows of the property over its remaining useful life, on an undiscounted basis, to the carrying value of that property. The Company assesses its undiscounted projected cash flows based upon estimated capitalization rates, historic operating results and market conditions that may affect the property. If the carrying value is greater than the undiscounted projected cash flows, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its then estimated fair value. The value of any property is sensitive to the actual results of any of the aforementioned estimated factors, either individually or taken as a whole. Should the actual results differ from management's projections, the valuation could be negatively or positively affected. The Company did not recognize an impairment loss on any of its real estate during the nine months ended September 30, 2015 and 2014.

Interest, real estate taxes, development-related salary costs and other carrying costs are capitalized on projects under development and construction. Upon substantial completion of construction and the placement of the assets into service, rental income, real estate tax expense, property operating expenses (consisting of payroll, repairs and maintenance, utilities, insurance and other property related expenses) and depreciation are included in current operations and capitalization of interest ceases. Property operating expenses are charged to operations as incurred. Interest capitalized totaled $1.4 million and $0.4 million for the nine months ended September 30, 2015 and 2014, respectively. Commercial development projects are considered substantially complete and available for occupancy upon completion of tenant improvements, but no later than one year from the cessation of major construction activity. Multi-family residential development projects are considered substantially complete and available for occupancy upon receipt of the certificate of occupancy from the appropriate licensing authority. Substantially completed portions of a project are accounted for as separate projects.

Depreciation is calculated using the straight-line method and estimated useful lives of generally between 35 and 50 years for base buildings, or a shorter period if management determines that the building has a shorter useful life, and up to 20 years for certain other improvements that extend the useful lives. Leasehold improvement expenditures are capitalized when certain criteria are met, including when the Company supervises construction and will own the improvements. Tenant improvements are amortized, over the shorter of the lives of the related leases or the useful life of the improvements, using the straight-line method. Depreciation expense in the Consolidated Statements of Operations totaled $28.2 million and $26.8 million for the nine months ended September 30, 2015 and 2014, respectively. Repairs and maintenance expense totaled $9.0 million and $9.2 million for the nine months ended September 30, 2015 and 2014, respectively, and is included in property operating expenses in the Consolidated Statements of Operations.

Revenue Recognition

Rental and interest income are accrued as earned except when doubt exists as to collectability, in which case the accrual is discontinued. Recognition of rental income commences when control of the space has been given to the tenant. When rental payments due under leases vary from a straight-line basis because of free rent periods or scheduled rent increases, income is recognized on a straight-line basis. Expense recoveries represent a portion of property operating expenses billed to tenants, including common area maintenance, real estate taxes and other recoverable costs, and are recognized in the period in which the expenses are incurred. Rental income based on a tenant's revenue ("percentage rent") is accrued when a tenant reports sales that exceed a breakpoint specified in the lease agreement.

Stock-based Employee Compensation, Stock Plan and Deferred Compensation Plan for Directors

The Company uses the fair value method to value and account for employee stock options. The fair value of options granted is determined at the time of each award using the Black-Scholes model, a widely used method for valuing

stock-based employee compensation, and the following assumptions: (1) Expected Volatility determined using the most recent trading history of the Company's common stock (month-end closing prices) corresponding to the average expected term of the options; (2) Average Expected Term of the options is based on prior exercise history, scheduled vesting and the expiration date; (3) Expected Dividend Yield determined by management after considering the Company's current and historic dividend yield rates, the Company's yield in relation to other retail REITs and the Company's market yield at the grant date; and (4) a Risk-free Interest Rate based upon the market yields of US Treasury obligations with maturities corresponding to the average expected term of the options at the grant date. The Company amortizes the value of options granted ratably over the vesting period and includes the amounts as compensation in general and administrative expenses.
The Company has a stock plan, which was originally approved in 2004, amended in 2008 and 2013 and which expires in 2023, for the purpose of attracting and retaining executive officers, directors and other key personnel (the "Stock Plan").

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Notes to Consolidated Financial Statements (Unaudited)

Pursuant to the Stock Plan, the Compensation Committee established a Deferred Compensation Plan for Directors for the benefit of its directors and their beneficiaries, which replaced a previous Deferred Compensation and Stock Plan for Directors. A director may make an annual election to defer all or part of his or her director's fees and has the option to have the fees paid in cash, in shares of common stock or in a combination of cash and shares of common stock upon separation from the Board. If the director elects to have fees paid in stock, fees earned during a calendar quarter are aggregated and divided by the closing market price of the Company's common stock on the first trading day of the following quarter to determine the number of shares to be credited to the director. As of September 30, 2015, the director's deferred fee accounts comprise 239,558 shares.

The Compensation Committee has also approved an annual award of shares of the Company's common stock as additional compensation to each director serving on the Board of Directors as of the record date for the Annual Meeting of Stockholders. The shares are awarded as of each Annual Meeting of Stockholders, and their issuance may not be deferred.

Noncontrolling Interests

Saul Centers is the sole general partner of the Operating Partnership, owning a 74.2% common interest as of September 30, 2015. Noncontrolling interests in the Operating Partnership is comprised of limited partnership units owned by the Saul Organization. Noncontrolling interests reflected on the accompanying consolidated balance sheets is increased for earnings allocated to limited partnership interests and distributions reinvested in additional units, and is decreased for limited partner distributions. Noncontrolling interests reflected on the consolidated statements of operations represents earnings allocated to limited partnership interests.

Per Share Data

Per share data for net income (basic and diluted) is computed using weighted average shares of common stock. Convertible limited partnership units and employee stock options are the Company's potentially dilutive securities. For all periods presented, the convertible limited partnership units are non-dilutive. The following table sets forth, for the indicated periods, weighted averages of the number of common shares outstanding, basic and dilutive, the effect of dilutive options and the number of options which are not dilutive because the average price of the Company's common stock was less than the exercise prices. The treasury stock method was used to measure the effect of the dilution.

	As of or For The Three Months Ended September 30,		As of or For The Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Weighted average common shares outstanding-Basic	21,158	20,839	21,091	20,726
Effect of dilutive options	33	39	66	35
Weighted average common shares outstanding-Diluted	21,191	20,878	21,157	20,761
Non-dilutive options	298	113	124	113
Years non-dilutive options were issued	2007 and 2015	2007 and 2008	2007 and 2015	2007 and 2008

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 will replace most existing revenue recognition guidance and will require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted but not before annual periods beginning after December 15, 2016. ASU 2014-09 must be applied retrospectively by either restating prior periods or by recognizing the cumulative effect as of the first date of application. We have not yet selected a transition method and are evaluating the impact that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, “Interest - Imputation of Interest” (“ASU 2015-03”). ASU 2015-03 simplifies the presentation of debt issuance costs and will require an entity to deduct transaction costs from the carrying value of the related financial liability and not record those transaction costs as a separate asset. Recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within those years, and must be applied retrospectively by adjusting the balance sheet

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Notes to Consolidated Financial Statements (Unaudited)

of each individual period presented. Adoption of ASU 2015-03 is not expected to have a material effect on our consolidated financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation used for the nine months ended September 30, 2015.

3. Real Estate Acquired and Sold

1580, 1582 and 1584 Rockville Pike

In January 2014, the Company purchased for $8.0 million 1580 Rockville Pike and incurred acquisition costs of $0.2 million. In April 2014, the Company purchased for $11.0 million 1582 Rockville Pike and incurred acquisition costs of $0.2 million. In December 2014, the company purchased for $6.2 million 1584 Rockville Pike and incurred acquisition costs of $0.2 million. These retail properties are contiguous with each other and the Company's asset at 1500 Rockville Pike and are located in Rockville, Maryland.

Olney Center

In April 2014, in conjunction with the purchase of 1582 Rockville Pike in Rockville, Maryland, the Company concurrently sold to the seller, for $11.0 million, the 53,765 square foot Olney Center located in Olney, Maryland. Simultaneously with the sale of the Olney Center, the Company entered into a lease of the property with the buyer and continues to operate, lease and manage the property. The lease term is 20 years and the Company has the option to purchase the property for $14.6 million at the end of the lease term. The purchaser has the right to sell the property to the Company at any time from and after April 2016 at a price equal to $11.0 million increased by 1.5% annually beginning January 1, 2015 and continuing each January thereafter. The Company has accounted for this transaction as a secured financing.

Giant Center

In April 2014, the Company sold for $7.5 million the 70,040 square foot Giant Center located in Milford Mill, Maryland and recognized a $6.1 million gain. As of March 31, 2014, the carrying amounts of the associated assets and liabilities were $0.5 million and $0.1 million, respectively. There was no debt on the property.

726, 730 and 750 Glebe Road

In August 2014, the Company purchased for $40.0 million, 750 N. Glebe Road and incurred acquisition costs of $0.4 million. In December 2014, the Company purchased for $2.8 million, 730 N. Glebe Road, and incurred acquisition costs of $40,400. In September 2015, the Company purchased for $4.0 million, 726 N. Glebe Road and incurred acquisition costs of $56,700. These retail properties are contiguous and are located in Arlington, Virginia.

Westview Pad

In February 2015, the Company purchased for $0.9 million, including acquisition costs, a 1.1 acre retail pad site in Frederick, Maryland, which is contiguous with and an expansion of the Company's other Westview asset.

Allocation of Purchase Price of Real Estate Acquired

The Company allocates the purchase price of real estate investment properties to various components, such as land, buildings and intangibles related to in-place leases and customer relationships, based on their fair values. See Note 2. Summary of Significant Accounting Policies-Real Estate Investment Properties.

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During 2014, the Company purchased five properties at an aggregate cost of $68.0 million, and incurred acquisition costs of $0.9 million. The purchase prices were allocated to the assets acquired and liabilities assumed based on their fair value as shown in the following table.

(in thousands)	1580 Rockville Pike	1582 Rockville Pike	750 N. Glebe Road	730 N. Glebe Road	1584 Rockville Pike	Total
Land	$9,600	$9,742	$38,224	$2,683	$5,798	$66,048
Buildings	2,200	828	1,327	78	440	4,874
In-place Leases	513	849	449	39	249	2,099
Above Market Rent	—	—	—	—	—	—
Below Market Rent	(4,313)	(419)	—	—	(337)	(5,070)
Total Purchase Price	$8,000	$11,000	$40,000	$2,800	$6,150	$67,950

4. Noncontrolling Interests - Holders of Convertible Limited Partnership Units in the Operating Partnership

As of September 30, 2015, the Saul Organization holds a 25.8% limited partnership interest in the Operating Partnership represented by approximately 7.3 million convertible limited partnership units. These units are convertible into shares of Saul Centers' common stock, at the option of the unit holder, on a one-for-one basis provided that, in accordance with the Saul Centers, Inc. Articles of Incorporation, the rights may not be exercised at any time that the Saul Organization beneficially owns, directly or indirectly, in the aggregate more than 39.9% of the value of the outstanding common stock and preferred stock of Saul Centers (the "Equity Securities"). As of September 30, 2015, approximately 965,000 units were convertible into shares of Saul Centers common stock.

The impact of the Saul Organization's approximately 25.8% limited partnership interest in the Operating Partnership is reflected as Noncontrolling Interests in the accompanying consolidated financial statements. Fully converted partnership units and diluted weighted average shares outstanding for the three months ended September 30, 2015 and 2014, were approximately 28.5 million and 28.1 million, respectively, and for the nine months ended September 30, 2015 and 2014, were approximately 28.4 million and 27.9 million, respectively.

5. Notes Payable, Revolving Credit Facility, Interest and Amortization of Deferred Debt Costs

The Company's outstanding debt totaled approximately $869.4 million at September 30, 2015, of which approximately $824.5 million was fixed-rate debt and approximately $44.9 million was variable rate debt, including $30.0 million outstanding on the Company's unsecured revolving credit facility. The carrying value of the properties collateralizing the notes payable totaled $860.5 million as of September 30, 2015.

At September 30, 2015, the Company had a $275.0 million unsecured revolving credit facility, which can be used for working capital, property acquisitions, development projects or letters of credit. The revolving credit facility matures on June 23, 2018, and may be extended by the Company for one additional year subject to the Company's satisfaction of certain conditions. Saul Centers and certain consolidated subsidiaries of the Operating Partnership have guaranteed the payment obligations of the Operating Partnership under the revolving credit facility. Letters of credit may be issued under the revolving credit facility. On September 30, 2015, based on the value of the Company's unencumbered properties, approximately $244.6 million was available under the line, $30.0 million was outstanding and approximately $448,000 was committed for letters of credit. The interest rate under the facility is variable and equals the sum of one-month LIBOR and a margin that is based on the Company's leverage ratio, and which can range from 145 basis points to 200 basis points. As of September 30, 2015, the margin was 145 basis points.

At September 30, 2015, the Company had a $71.6 million construction-to-permanent loan, with $31.4 million outstanding, which is secured by and will be used to partially finance the construction of Park Van Ness.

On March 3, 2015, the Company closed on a 15-year, non-recourse $30.0 million mortgage loan secured by Shops at Fairfax and Boulevard. The loan matures in 2030, bears interest at a fixed rate of 3.69%, requires monthly principal and interest payments totaling $153,300 based on a 25-year amortization schedule and requires a final payment of $15.5 million at maturity. Proceeds were used to pay off the remaining balance of existing debt secured by Shops at Fairfax and Boulevard and to reduce outstanding borrowings under the revolving credit facility.

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Notes to Consolidated Financial Statements (Unaudited)

On April 1, 2015, the Company closed on a 15-year, non-recourse $16.0 million mortgage loan secured by Northrock. The loan matures in 2030, bears interest at a fixed rate of 3.99%, requires monthly principal and interest payments totaling $84,400 based on a 25-year amortization schedule and requires a final payment of $8.4 million at maturity. Proceeds were used to pay off the remaining balance of existing debt secured by Northrock.

Saul Centers is a guarantor of the revolving credit facility, of which the Operating Partnership is the borrower. The Operating Partnership is the guarantor of (a) a portion of the Metro Pike Center bank loan (approximately $7.8 million of the $14.9 million outstanding at September 30, 2015) and (b) the $71.6 million Park Van Ness construction-to-permanent loan, which guarantee will be reduced and eventually eliminated subject to the achievement of certain leasing and cash flow levels. The fixed-rate notes payable are all non-recourse.

The Company accounts for the sale-leaseback of the Olney Center as a secured financing and, accordingly, the $11.0 million proceeds from the sale are included in notes payable. Monthly payments of approximately $60,400, which increase by 1.5% annually, are required under the lease and interest accrues at a fixed rate of 8.0%, which is the implicit rate under the lease. The purchaser has the right to sell the property to the Company at any time from and after April 2016 at a price equal to $11.0 million increased by 1.5% annually beginning January 1, 2015 and continuing each January thereafter. The Company has an option to repurchase the property for $14.6 million when the lease expires in April 2034.

At December 31, 2014, the Company’s outstanding debt totaled approximately $857.4 million, of which $784.8 million was fixed rate debt and $72.6 million was variable rate debt, including $43.0 million outstanding on the Company’s unsecured revolving credit facility. The carrying value of the properties collateralizing the notes payable totaled $895.5 million as of December 31, 2014.

At September 30, 2015, the scheduled maturities of debt, including scheduled principal amortization, for years ending December 31, were as follows:

(In thousands)	Balloon Payments		Scheduled Principal Amortization	Total
October 1 through December 31, 2015	$—		$5,954	$5,954
2016	14,724		24,413	39,137
2017	—		25,716	25,716
2018	57,748	(a)	25,902	83,650
2019	60,793		24,615	85,408
2020	61,163		21,893	83,056
Thereafter	418,770		127,712	546,482
	$613,198		$256,205	$869,403

(a) Includes $30.0 million outstanding under the line of credit.

Interest expense and amortization of deferred debt costs for the three and nine months ended September 30, 2015 and 2014, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Interest incurred	$11,489	$11,415	$34,287	$33,998
Amortization of deferred debt costs	340	355	1,094	969
Capitalized interest	(600)	(186)	(1,393)	(430)
	$11,229	$11,584	$33,988	$34,537

6. Stockholders’ Equity and Noncontrolling Interests

The consolidated statements of operations for the nine months ended September 30, 2015 and 2014, reflect noncontrolling interests of $7.6 million and $9.2 million, respectively, representing the Saul Organization's share of net income for each period.

On February 12, 2013, the Company sold, in an underwritten public offering, 5.6 million depositary shares, each representing 1/100th of a share of 6.875% Series C Cumulative Redeemable Preferred Stock, and received net cash proceeds of approximately $135.2 million. The depositary shares may be redeemed on or after February 12, 2018 at the Company’s option, in whole or in part, at the $25.00 liquidation preference plus accrued but unpaid dividends. The depositary shares pay an annual dividend of $1.71875 per share, equivalent to 6.875% of the $25.00 liquidation preference. The Series C preferred stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of the Company except in connection with certain changes of control or delisting events. Investors in the depositary shares generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters (whether or not declared or consecutive) and in certain other events. On November 12, 2014, the Company sold, in an underwritten public offering, 1.6 million depositary shares of Series C Stock and received net cash proceeds of approximately $39.3 million (the "Additional Series C Stock"). The terms of Additional Series C Stock are identical to the Series C Stock. In December 2014, the Company used the proceeds from the offering of the Additional Series C Stock to redeem the remaining outstanding 8% Series A Cumulative Redeemable Preferred Stock.

7. Related Party Transactions

The Chairman and Chief Executive Officer, the President, the Executive Vice President-Chief Legal and Administrative Officer and the Senior Vice President-Chief Accounting Officer of the Company are also officers of various members of the Saul Organization and their management time is shared with the Saul Organization. Their annual compensation is fixed by the Compensation Committee of the Board of Directors, with the exception of the Senior Vice President-Chief Accounting Officer whose share of annual compensation allocated to the Company is determined by the shared services agreement (described below).

The Company participates in a multiemployer 401K plan with entities in the Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. Company contributions, which are included in general and administrative expense or property operating expenses in the consolidated statements of operations, at the discretionary amount of up to six percent of the employee’s cash compensation, subject to certain limits, were $312,400 and $281,800 for the nine months ended September 30, 2015 and 2014, respectively. All amounts deferred by employees and the Company are fully vested.

The Company also participates in a multiemployer nonqualified deferred compensation plan with entities in the Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. According to the plan, which can be modified or discontinued at any time, participating employees defer 2% of their compensation in excess of a specified amount. For the nine months ended September 30, 2015 and 2014, the Company contributed $103,300 and $107,700, respectively, which is the sum of accrued earnings and three times the amount deferred by employees and is included in general and administrative expense. All amounts deferred by employees and the Company are fully vested. The cumulative unfunded liability under this plan was $1.7 million and $1.8 million, at September 30, 2015 and December 31, 2014, respectively, and is included in accounts payable, accrued expenses and other liabilities in the consolidated balance sheets.

The Company has entered into a shared services agreement (the “Agreement”) with the Saul Organization that provides for the sharing of certain personnel and ancillary functions such as computer hardware, software, and support services and certain direct and indirect administrative personnel. The method for determining the cost of the shared services is provided for in the Agreement and is based upon head count, estimates of usage or estimates of time incurred, as applicable. The terms of the Agreement and the payments made thereunder are deemed reasonable by management and are reviewed annually by the Audit Committee of the Board of Directors, which consists entirely of independent directors. Billings by the Saul Organization for the Company’s share of these ancillary costs and expenses for the nine months ended September 30, 2015 and 2014, which included rental expense for the Company’s headquarters lease, totaled approximately $5.9 million and $5.5 million, respectively. The amounts are generally expensed as incurred and are primarily reported as general and administrative expenses in the consolidated financial statements. As of September 30, 2015 and December 31, 2014, accounts payable, accrued expenses and other liabilities included approximately $453,200 and $543,000, respectively, representing amounts due to the Saul Organization for the Company's share of these ancillary costs and expenses.

The Company has entered into a shared third-party predevelopment cost agreement with the B. F. Saul Real Estate Investment Trust, a member of the Saul Organization (the "Predevelopment Agreement"). The Predevelopment Agreement, which expires on December 31, 2015, and which may be extended to December 31, 2016, relates to the sharing of third-party predevelopment costs incurred in connection with the planning of the future redevelopment of certain adjacent real estate assets in the Twinbrook area of Rockville, Maryland. The costs will be billed by the third-parties on a pro rata basis based on the acreage owned by each entity and neither party is obligated to advance funds to the other.

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The Company subleases its corporate headquarters space from a member of the Saul Organization. The lease commenced in March 2002, was extended in 2012 for five years, and provides for base rent increases of 3% per year, with payment of a pro-rata share of operating expenses over a base year amount. The Agreement requires each party to pay an allocation of total rental payments based on a percentage proportionate to the number of employees employed by each party. The Company's rent expense for its headquarters location was $684,800 and $630,000 for the nine months ended September 30, 2015 and 2014, respectively, and is included in general and administrative expense.
The B. F. Saul Insurance Agency of Maryland, Inc., a subsidiary of the B. F. Saul Company and a member of the Saul Organization, is a general insurance agency that receives commissions and fees in connection with the Company's insurance program. Such commissions and fees amounted to $295,000 and $288,800 for the nine months ended September 30, 2015 and 2014, respectively.
Effective as of September 4, 2012, the Company entered into a consulting agreement with B. F. Saul III, a former president of the Company, whereby Mr. Saul III provided certain consulting services to the Company as an independent contractor and was paid at a rate of $60,000 per month. The consulting agreement included certain noncompete, nonsolicitation and nondisclosure covenants, and expired in September 2014. For the nine months ended September 30, 2014, such consulting fees totaled $495,000.

8. Stock Option Plans

The Company has established two stock incentive plans, the 1993 plan and the 2004 plan, as amended, (together, the "Plans"). Under the Plans, options were granted at an exercise price not less than the market value of the common stock on the date of grant and expire ten years from the date of grant. Officer options vest ratably over four years following the grant and are charged to expense using the straight-line method over the vesting period. Director options vest immediately and are charged to expense as of the date of grant.
The following table summarizes the amount and activity of each grant with outstanding unexercised options, the total value and variables used in the computation and the amount expensed and included in general and administrative expense in the Consolidated Statements of Operations for the nine months ended September 30, 2015.

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Stock options issued

	Directors									
Grant date	5/1/2006	4/27/2007	4/25/2008	4/24/2009	5/7/2010	5/13/2011	5/4/2012	5/10/2013	5/9/2014	5/8/2
Total grant	30,000	30,000	30,000	32,500	32,500	32,500	35,000	35,000	30,000	35,00
Vested	30,000	30,000	30,000	32,500	32,500	32,500	35,000	35,000	30,000	35,00
Exercised	15,000	2,500	2,500	22,500	12,500	12,500	12,500	10,000	2,500	—
Forfeited	2,500	7,500	7,500	—	2,500	2,500	—	—	—	—
Exercisable at September 30, 2015	12,500	20,000	20,000	10,000	17,500	17,500	22,500	25,000	27,500	35,00
Remaining unexercised	12,500	20,000	20,000	10,000	17,500	17,500	22,500	25,000	27,500	35,00
Exercise price	$40.35	$54.17	$50.15	$32.68	$38.76	$41.82	$39.29	$44.42	$47.03	$51.(
Volatility	0.206	0.225	0.237	0.344	0.369	0.358	0.348	0.333	0.173	0.166
Expected life (years)	9.0	8.0	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Assumed yield	5.93%	4.39%	4.09%	4.54%	4.23%	4.16%	4.61%	4.53%	4.48%	4.54
Risk-free rate	5.11%	4.65%	3.49%	2.19%	2.17%	1.86%	0.78%	0.82%	1.63%	1.50
Total value at grant date	$143,400	$285,300	$254,700	$222,950	$287,950	$297,375	$257,250	$278,250	$109,500	$125
Expensed in previous years	143,400	285,300	254,700	222,950	287,950	297,375	257,250	278,250	109,500	—
Expensed in 2015	—	—	—	—	—	—	—	—	—	125,3
Future expense	—	—	—	—	—	—	—	—	—	—

	Officers			
Grant date	4/27/2007	5/13/2011	5/4/2012	5/10/2013