CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
November 09, 2018
Table of Contents

UNITED STATES OF AMERICA
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, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ____________ TO _______________

COMMISSION FILE NO. 1-12494 (CBL & ASSOCIATES PROPERTIES, INC.)
COMMISSION FILE NO. 333-182515-01 (CBL & ASSOCIATES LIMITED PARTNERSHIP)

CBL & ASSOCIATES PROPERTIES, INC.
CBL & ASSOCIATES LIMITED PARTNERSHIP
(Exact Name of registrant as specified in its charter)

DELAWARE (CBL & ASSOCIATES PROPERTIES, INC.)	62-1545718
DELAWARE (CBL & ASSOCIATES LIMITED PARTNERSHIP)	62-1542285
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000
(Address of principal executive office, including zip code)
423.855.0001
(Registrant's telephone number, including area code)
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.

CBL & Associates Properties, Inc.	Yes x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

CBL & Associates Properties, Inc.	Yes x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
CBL & Associates Properties, Inc.

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

Emerging growth company o

CBL & Associates Limited Partnership

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

CBL & Associates Properties, Inc.	Yes o	No x
CBL & Associates Limited Partnership	Yes o	No x

As of November 2, 2018, there were 172,669,152 shares of CBL & Associates Properties, Inc.'s common stock, par value $0.01 per share, outstanding.

Table of Contents

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2018 of CBL & Associates Properties, Inc. and CBL & Associates Limited Partnership. Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company is a real estate investment trust ("REIT") whose stock is traded on the New York Stock Exchange. The Company is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2018, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 85.6% limited partner interest for a combined interest held by the Company of 86.6%.

As the sole general partner of the Operating Partnership, the Company's subsidiary, CBL Holdings I, Inc., has exclusive control of the Operating Partnership's activities. Management operates the Company and the Operating Partnership as one business. The management of the Company consists of the same individuals that manage the Operating Partnership. The Company's only material asset is its indirect ownership of partnership interests of the Operating Partnership. As a result, the Company conducts substantially all its business through the Operating Partnership as described in the preceding paragraph. The Company also issues public equity from time to time and guarantees certain debt of the Operating Partnership. The Operating Partnership holds all of the assets and indebtedness of the Company and, through affiliates, retains the ownership interests in the Company's joint ventures. Except for the net proceeds of offerings of equity by the Company, which are contributed to the Operating Partnership in exchange for partnership units on a one-for-one basis, the Operating Partnership generates all remaining capital required by the Company's business through its operations and its incurrence of indebtedness.

We believe that combining the two quarterly reports on Form 10-Q for the Company and the Operating Partnership provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation, since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate condensed consolidated financial statements for the Company and the Operating Partnership. Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the condensed consolidated financial statements of the Company and those of the Operating Partnership. A single set of notes to condensed consolidated financial statements is presented that includes separate discussions for the Company and the Operating Partnership, when applicable. A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents combined information and discrete information related to each entity, as applicable.

In order to highlight the differences between the Company and the Operating Partnership, this report includes the following sections that provide separate financial and other information for the Company and the Operating Partnership:

- condensed consolidated financial statements;
- certain accompanying notes to condensed consolidated financial statements, including Note 6 - Unconsolidated Affiliates and Noncontrolling Interests; Note 7 - Mortgage and Other Indebtedness, Net; and Note 10 - Earnings per Share and Earnings per Unit;
- controls and procedures in Item 4 of Part I of this report;
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- information concerning unregistered sales of equity securities and use of proceeds in Item 2 of Part II of this report; and
- certifications of the Chief Executive Officer and Chief Financial Officer included as Exhibits 31.1 through 32.4.

Table of Contents

CBL & Associates Properties, Inc.
CBL & Associates Limited Partnership
Table of Contents

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements
CBL & Associates Properties, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

ASSETS [(1)]	September 30, 2018	December 31, 2017
Real estate assets:		
Land	$ 818,436	$ 813,390
Buildings and improvements	6,544,019	6,723,194
	7,362,455	7,536,584
Accumulated depreciation	(2,514,904)	(2,465,095)
	4,847,551	5,071,489
Held for sale	14,807	—
Developments in progress	73,530	85,346
Net investment in real estate assets	4,935,888	5,156,835
Cash and cash equivalents	20,695	32,627
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,214 and $2,011 in 2018 and 2017, respectively	77,095	83,552
Other, net of allowance for doubtful accounts of $838 in 2017	7,109	7,570
Mortgage and other notes receivable	8,171	8,945
Investments in unconsolidated affiliates	275,884	249,192
Intangible lease assets and other assets	166,177	166,087
	$ 5,491,019	$ 5,704,808
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness, net	$ 4,115,808	$ 4,230,845
Accounts payable and accrued liabilities	247,490	228,650
Total liabilities [(1)]	4,363,298	4,459,495
Commitments and contingencies (Note 7 and Note 11)		
Redeemable noncontrolling interests	6,228	8,835
Shareholders' equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized:		
7.375% Series D Cumulative Redeemable Preferred Stock, 1,815,000 shares outstanding	18	18
6.625% Series E Cumulative Redeemable Preferred Stock, 690,000 shares outstanding	7	7
Common stock, $.01 par value, 350,000,000 shares authorized, 172,663,873 and 171,088,778 issued and outstanding in 2018 and 2017, respectively	1,727	1,711
Additional paid-in capital	1,967,882	1,974,537
Dividends in excess of cumulative earnings	(927,416)	(836,269)
Total shareholders' equity	1,042,218	1,140,004
Noncontrolling interests	79,275	96,474
Total equity	1,121,493	1,236,478
	$ 5,491,019	$ 5,704,808

(1) As of September 30, 2018, includes $621,616 of assets related to consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and $414,923 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Company. See Note 6.

The accompanying notes are an integral part of these condensed consolidated statements.

1

Table of Contents

CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
REVENUES:				
Minimum rents	$142,248	$150,836	$441,097	$468,195
Percentage rents	2,429	3,000	6,610	7,127
Other rents	2,347	3,790	6,898	11,171
Tenant reimbursements	55,374	63,055	172,601	192,577
Management, development and leasing fees	2,658	2,718	8,022	8,747
Other	1,822	1,251	6,448	4,079
Total revenues	206,878	224,650	641,676	691,896
OPERATING EXPENSES:				
Property operating	30,004	31,295	92,357	96,250
Depreciation and amortization	71,945	71,732	217,261	225,461
Real estate taxes	19,433	21,573	61,737	62,343
Maintenance and repairs	11,475	11,254	36,713	36,322
General and administrative	16,051	13,568	47,845	45,402
Loss on impairment	14,600	24,935	84,644	71,401
Other	38	132	377	5,151
Total operating expenses	163,546	174,489	540,934	542,330
Income from operations	43,332	50,161	100,742	149,566
Interest and other income (loss)	283	(200)	714	1,235
Interest expense	(55,194)	(53,913)	(163,164)	(165,179)
Gain on extinguishment of debt	—	6,452	—	30,927
Gain (loss) on investments	—	(354)	387	(6,197)
Income tax benefit (provision)	(1,034)	1,064	1,846	4,784
Equity in earnings of unconsolidated affiliates	1,762	4,706	9,869	16,404
Income (loss) from continuing operations before gain on sales of real estate assets	(10,851)	7,916	(49,606)	31,540
Gain on sales of real estate assets	7,880	1,383	15,998	86,904
Net income (loss)	(2,971)	9,299	(33,608)	118,444
Net (income) loss attributable to noncontrolling interests in:				
Operating Partnership	1,628	81	8,978	(8,702)
Other consolidated subsidiaries	(24)	(415)	369	(25,266)
Net income (loss) attributable to the Company	(1,367)	8,965	(24,261)	84,476
Preferred dividends	(11,223)	(11,223)	(33,669)	(33,669)
Net income (loss) attributable to common shareholders	$(12,590)	$(2,258)	$(57,930)	$50,807
Basic and diluted per share data attributable to common shareholders:				
Net income (loss) attributable to common shareholders	$(0.07)	$(0.01)	$(0.34)	$0.30
Weighted-average common and potential dilutive common shares outstanding	172,665	171,096	172,426	171,060

Dividends declared per common share	$0.200	$0.265	$0.600	$0.795

The accompanying notes are an integral part of these condensed consolidated statements.

2

Table of Contents

CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Equity
(In thousands, except share data)
(Unaudited)

		Equity Shareholders' Equity						
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2017	$ 17,996	$25	$ 1,708	$1,969,059	$(742,078)	$1,228,714	$ 112,138	$1,340,852
Net income	481	—	—	—	84,476	84,476	33,487	117,963
Dividends declared - common stock	—	—	—	—	(136,021)	(136,021)	—	(136,021)
Dividends declared - preferred stock	—	—	—	—	(33,669)	(33,669)	—	(33,669)
Issuances of 342,008 shares of common stock and restricted common stock	—	—	3	471	—	474	—	474
Cancellation of 37,758 shares of restricted common stock	—	—	—	(327)	—	(327)	—	(327)
Performance stock units	—	—	—	1,115	—	1,115	—	1,115
Amortization of deferred compensation	—	—	—	3,135	—	3,135	—	3,135
Redemptions of Operating Partnership common units	—	—	—	—	—	—	(593)	(593)
Adjustment for noncontrolling interests	2,224	—	—	(5,635)	—	(5,635)	3,413	(2,222)
Adjustment to record redeemable noncontrolling interests at redemption value	(4,196)	—	—	3,629	—	3,629	566	4,195
Deconsolidation of investment	—	—	—	—	—	—	(2,232)	(2,232)
Contributions from noncontrolling interests	—	—	—	—	—	—	263	263
Distributions to noncontrolling interests	(3,429)	—	—	—	—	—	(48,477)	(48,477)
Balance, September 30, 2017	$ 13,076	$25	$ 1,711	$1,971,447	$(827,292)	$1,145,891	$ 98,565	$1,244,456

3

CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Equity
(In thousands, except share data)
(Unaudited)
(Continued)

		Equity						
		Shareholders' Equity						
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2018	$ 8,835	$25	$ 1,711	$1,974,537	$(836,269)	$1,140,004	$ 96,474	$1,236,478
Net loss	(515)	—	—	—	(24,261)	(24,261)	(8,832)	(33,093)
Cumulative effect of accounting change (Note 2)	—	—	—	—	11,433	11,433	—	11,433
Cumulative effect of accounting change (Note 3)	—	—	—	—	58,947	58,947	—	58,947
Dividends declared - common stock	—	—	—	—	(103,597)	(103,597)	—	(103,597)
Dividends declared - preferred stock	—	—	—	—	(33,669)	(33,669)	—	(33,669)
Issuances of 716,290 shares of common stock and restricted common stock	—	—	7	810	—	817	—	817
Conversion of 915,338 Operating Partnership common units into shares of common stock	—	—	9	3,050	—	3,059	(3,059)	—
Redemptions of Operating Partnership common units	—	—	—	—	—	—	(2,246)	(2,246)
Cancellation of 56,533 shares of restricted common stock	—	—	—	(249)	—	(249)	—	(249)
Performance stock units	—	—	—	993	—	993	—	993
Forfeiture of performance stock units	—	—	—	(250)	—	(250)	—	(250)
Amortization of deferred compensation	—	—	—	2,846	—	2,846	—	2,846
Adjustment for noncontrolling interests	3,033	—	—	(15,329)	—	(15,329)	12,296	(3,033)
Adjustment to record redeemable noncontrolling	(1,696)	—	—	1,474	—	1,474	222	1,696

interests at redemption value								
Contributions from noncontrolling interests	—	—	—	—	—	—	7,859	7,859
Distributions to noncontrolling interests	(3,429)	—	—	—	—	—	(23,439)	(23,439)
Balance, September 30, 2018	$ 6,228	$25	$ 1,727	$1,967,882	$(927,416)	$1,042,218	$ 79,275	$1,121,493

The accompanying notes are an integral part of these condensed consolidated statements.

4

Table of Contents

CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(33,608)	$118,444
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	217,261	225,461
Net amortization of deferred financing costs, debt premiums and discounts	5,451	2,904
Net amortization of intangible lease assets and liabilities	198	(1,235)
Gain on sales of real estate assets	(15,998)	(86,904)
(Gain) loss on investments	(387)	6,197
Write-off of development projects	377	5,151
Share-based compensation expense	4,310	4,569
Loss on impairment	84,644	71,401
Gain on extinguishment of debt	—	(30,927)
Equity in earnings of unconsolidated affiliates	(9,869)	(16,404)
Distributions of earnings from unconsolidated affiliates	12,574	16,361
Provision for doubtful accounts	3,273	3,353
Change in deferred tax accounts	(2,706)	2,911
Changes in:		
Tenant and other receivables	3,493	(4,893)
Other assets	(4,640)	(12,368)
Accounts payable and accrued liabilities	16,034	32,929
Net cash provided by operating activities	280,407	336,950
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(107,981)	(149,302)
Acquisitions of real estate assets	(3,301)	(79,799)
Proceeds from sales of real estate assets	70,419	201,291
Proceeds from disposal of investment	—	9,000
Additions to mortgage and other notes receivable	—	(4,118)
Payments received on mortgage and other notes receivable	775	3,443
Additional investments in and advances to unconsolidated affiliates	(2,243)	(17,199)
Distributions in excess of equity in earnings of unconsolidated affiliates	33,909	15,743
Changes in other assets	(5,903)	(14,471)
Net cash used in investing activities	(14,325)	(35,412)

Table of Contents

CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)
(Continued)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	$530,679	$1,097,006
Principal payments on mortgage and other indebtedness	(649,904)	(1,159,144)
Additions to deferred financing costs	(238)	(5,003)
Prepayment fees on extinguishment of debt	—	(8,871)
Proceeds from issuances of common stock	117	150
Purchases of noncontrolling interests in the Operating Partnership	(2,246)	(593)
Contributions from noncontrolling interests	7,859	263
Payment of tax withholdings for restricted stock awards	(271)	(322)
Distributions to noncontrolling interests	(27,156)	(51,925)
Dividends paid to holders of preferred stock	(33,669)	(33,669)
Dividends paid to common shareholders	(103,280)	(135,941)
Net cash used in financing activities	(278,109)	(298,049)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(12,027)	3,489
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	68,172	65,069
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,558
Reconciliation from condensed consolidated statements of cash flows to condensed consolidated balance sheets:		
Cash and cash equivalents	$20,695	$31,351
Restricted cash [1]:		
Restricted cash	4,681	944
Mortgage escrows	30,769	36,263
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,558
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$136,301	$150,816

(1) Included in intangible lease assets and other assets in the condensed consolidated balance sheets.

The accompanying notes are an integral part of these condensed consolidated statements.

Table of Contents

CBL & Associates Limited Partnership
Condensed Consolidated Balance Sheets
(In thousands, except unit data)
(Unaudited)

ASSETS [1]	September 30, 2018	December 31, 2017
Real estate assets:		
Land	$ 818,436	$ 813,390
Buildings and improvements	6,544,019	6,723,194
	7,362,455	7,536,584
Accumulated depreciation	(2,514,904)	(2,465,095)
	4,847,551	5,071,489
Held for sale	14,807	—
Developments in progress	73,530	85,346
Net investment in real estate assets	4,935,888	5,156,835
Cash and cash equivalents	20,695	32,627
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,214 and $2,011 in 2018 and 2017, respectively	77,095	83,552
Other, net of allowance for doubtful accounts of $838 in 2017	7,061	7,520
Mortgage and other notes receivable	8,171	8,945
Investments in unconsolidated affiliates	276,418	249,722
Intangible lease assets and other assets	166,057	165,967
	$ 5,491,385	$ 5,705,168
LIABILITIES, REDEEMABLE INTERESTS AND CAPITAL		
Mortgage and other indebtedness, net	$ 4,115,808	$ 4,230,845
Accounts payable and accrued liabilities	247,607	228,720
Total liabilities [1]	4,363,415	4,459,565
Commitments and contingencies (Note 7 and Note 11)		
Redeemable common units	6,228	8,835
Partners' capital:		
Preferred units	565,212	565,212
Common units:		
General partner	5,540	6,735
Limited partners	539,191	655,120
Total partners' capital	1,109,943	1,227,067
Noncontrolling interests	11,799	9,701
Total capital	1,121,742	1,236,768
	$ 5,491,385	$ 5,705,168

(1) As of September 30, 2018, includes $621,616 of assets related to consolidated variable interest entities that can only be used to settle obligations of the consolidated variable interest entities and $414,923 of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Operating Partnership. See Note 6.

The accompanying notes are an integral part of these condensed consolidated statements.

Table of Contents

CBL & Associates Limited Partnership
Condensed Consolidated Statements of Operations
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES:				
Minimum rents	$142,248	$150,836	$441,097	$468,195
Percentage rents	2,429	3,000	6,610	7,127
Other rents	2,347	3,790	6,898	11,171
Tenant reimbursements	55,374	63,055	172,601	192,577
Management, development and leasing fees	2,658	2,718	8,022	8,747
Other	1,822	1,251	6,448	4,079
Total revenues	206,878	224,650	641,676	691,896
OPERATING EXPENSES:				
Property operating	30,004	31,295	92,357	96,250
Depreciation and amortization	71,945	71,732	217,261	225,461
Real estate taxes	19,433	21,573	61,737	62,343
Maintenance and repairs	11,475	11,254	36,713	36,322
General and administrative	16,051	13,568	47,845	45,402
Loss on impairment	14,600	24,935	84,644	71,401
Other	38	132	377	5,151
Total operating expenses	163,546	174,489	540,934	542,330
Income from operations	43,332	50,161	100,742	149,566
Interest and other income (loss)	283	(200)	714	1,235
Interest expense	(55,194)	(53,913)	(163,164)	(165,179)
Gain on extinguishment of debt	—	6,452	—	30,927
Gain (loss) on investments	—	(354)	387	(6,197)
Income tax benefit (provision)	(1,034)	1,064	1,846	4,784
Equity in earnings of unconsolidated affiliates	1,762	4,706	9,869	16,404
Income (loss) from continuing operations before gain on sales of real estate assets	(10,851)	7,916	(49,606)	31,540
Gain on sales of real estate assets	7,880	1,383	15,998	86,904
Net income (loss)	(2,971)	9,299	(33,608)	118,444
Net (income) loss attributable to noncontrolling interests	(24)	(415)	369	(25,266)
Net income (loss) attributable to the Operating Partnership	(2,995)	8,884	(33,239)	93,178
Distributions to preferred unitholders	(11,223)	(11,223)	(33,669)	(33,669)
Net income (loss) attributable to common unitholders	$(14,218)	$(2,339)	$(66,908)	$59,509
Basic and diluted per unit data attributable to common unitholders:				
Net income (loss) attributable to common unitholders	$(0.07)	$(0.01)	$(0.34)	$0.30
Weighted-average common and potential dilutive common units outstanding	199,432	199,321	199,630	199,325
Distributions declared per common unit	$0.209	$0.273	$0.627	$0.819

The accompanying notes are an integral part of these condensed consolidated statements.

CBL & Associates Limited Partnership
Condensed Consolidated Statements of Capital
(In thousands)
(Unaudited)

		Number of			Common Units				
	Redeemable Common Units	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	Total Partners' Capital	Noncontrolling Interests	Total Capital
Balance, January 1, 2017	$ 17,996	25,050	199,085	$ 565,212	$ 7,781	$ 756,083	$ 1,329,076	$ 12,103	$ 1,341,179
Net income	481	—	—	33,669	607	58,421	92,697	25,266	117,963
Distributions declared - common units	(3,429)	—	—	—	(1,600)	(158,124)	(159,724)	—	(159,724)
Distributions declared - preferred units	—	—	—	(33,669)	—	—	(33,669)	—	(33,669)
Issuances of common units	—	—	342	—	—	474	474	—	474
Redemptions of common units	—	—	(73)	—	—	(593)	(593)	—	(593)
Cancellation of restricted common stock	—	—	(38)	—	—	(327)	(327)	—	(327)
Performance stock units	—	—	—	—	11	1,104	1,115	—	1,115
Amortization of deferred compensation	—	—	—	—	32	3,103	3,135	—	3,135
Allocation of partners' capital	2,224	—	—	—	(68)	(2,191)	(2,259)	—	(2,259)
Adjustment to record redeemable interests at redemption value	(4,196)	—	—	—	43	4,152	4,195	—	4,195
Deconsolidation of investment	—	—	—	—	—	—	—	(2,232)	(2,232)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	263	263
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(24,774)	(24,774)
Balance, September 30, 2017	$ 13,076	25,050	199,316	$ 565,212	$ 6,806	$ 662,102	$ 1,234,120	$ 10,626	$ 1,244,746

Table of Contents

CBL & Associates Limited Partnership
Condensed Consolidated Statements of Capital
(In thousands)
(Unaudited)
(Continued)

		Number of			Common Units				
	Redeemable Common Units	Preferred Units	Common Units	Preferred Units	General Partner	Limited Partners	Total Partners' Capital	Noncontrolling Interests	Total Capital
Balance, January 1, 2018	$ 8,835	25,050	199,297	$ 565,212	$ 6,735	$ 655,120	$ 1,227,067	$ 9,701	$ 1,236,768
Net income (loss)	(515)	—	—	33,669	(682)	(65,711)	(32,724)	(369)	(33,093)
Cumulative effect of accounting change (Note 2)	—	—	—	—	117	11,316	11,433	—	11,433
Cumulative effect of accounting change (Note 3)	—	—	—	—	605	58,342	58,947	—	58,947
Distributions declared - common units	(3,429)	—	—	—	(1,207)	(120,436)	(121,643)	—	(121,643)
Distributions declared - preferred units	—	—	—	(33,669)	—	—	(33,669)	—	(33,669)
Issuances of common units	—	—	715	—	—	817	817	—	817
Redemptions of common units	—	—	(527)	—	—	(2,246)	(2,246)	—	(2,246)
Cancellation of restricted common stock	—	—	(57)	—	—	(249)	(249)	—	(249)
Performance stock units	—	—	—	—	10	983	993	—	993
Forfeiture of performance stock units	—	—	—	—	(3)	(247)	(250)	—	(250)
Amortization of deferred compensation	—	—	—	—	29	2,817	2,846	—	2,846
Allocation of partners' capital	3,033	—	—	—	(81)	(2,994)	(3,075)	—	(3,075)
Adjustment to record redeemable interests at redemption value	(1,696)	—	—	—	17	1,679	1,696	—	1,696
	—	—	—	—	—	—	—	7,859	7,859

Contributions from noncontrolling interests									
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(5,392)	(5,392)
Balance, September 30, 2018	$ 6,228	25,050	199,428	$565,212	$5,540	$539,191	$1,109,943	$ 11,799	$1,121,742

The accompanying notes are an integral part of these condensed consolidated statements.

10

Table of Contents

CBL & Associates Limited Partnership
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(33,608)	$118,444
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	217,261	225,461
Net amortization of deferred financing costs, debt premiums and discounts	5,451	2,904
Net amortization of intangible lease assets and liabilities	198	(1,235)
Gain on sales of real estate assets	(15,998)	(86,904)
(Gain) loss on investments	(387)	6,197
Write-off of development projects	377	5,151
Share-based compensation expense	4,310	4,569
Loss on impairment	84,644	71,401
Gain on extinguishment of debt	—	(30,927)
Equity in earnings of unconsolidated affiliates	(9,869)	(16,404)
Distributions of earnings from unconsolidated affiliates	12,569	16,362
Provision for doubtful accounts	3,273	3,353
Change in deferred tax accounts	(2,706)	2,911
Changes in:		
Tenant and other receivables	3,493	(4,893)
Other assets	(4,640)	(12,368)
Accounts payable and accrued liabilities	16,039	32,935
Net cash provided by operating activities	280,407	336,957
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(107,981)	(149,302)
Acquisition of real estate assets	(3,301)	(79,799)
Proceeds from sales of real estate assets	70,419	201,291
Proceeds from disposal of investment	—	9,000
Additions to mortgage and other notes receivable	—	(4,118)
Payments received on mortgage and other notes receivable	775	3,443
Additional investments in and advances to unconsolidated affiliates	(2,243)	(17,199)
Distributions in excess of equity in earnings of unconsolidated affiliates	33,909	15,743
Changes in other assets	(5,903)	(14,471)
Net cash used in investing activities	(14,325)	(35,412)

Table of Contents

CBL & Associates Limited Partnership
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)
(Continued)

	Nine Months Ended September 30, 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	$530,679	$1,097,006
Principal payments on mortgage and other indebtedness	(649,904)	(1,159,144)
Additions to deferred financing costs	(238)	(5,003)
Prepayment fees on extinguishment of debt	—	(8,871)
Proceeds from issuances of common units	117	150
Redemptions of common units	(2,246)	(593)
Contributions from noncontrolling interests	7,859	263
Payment of tax withholdings for restricted stock awards	(271)	(322)
Distributions to noncontrolling interests	(8,821)	(28,203)
Distributions to preferred unitholders	(33,669)	(33,669)
Distributions to common unitholders	(121,615)	(159,663)
Net cash used in financing activities	(278,109)	(298,049)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(12,027)	3,496
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	68,172	65,061
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,557
Reconciliation from condensed consolidated statements of cash flows to condensed consolidated balance sheets:		
Cash and cash equivalents	$20,695	$31,350
Restricted cash [(1)]:		
Restricted cash	4,681	944
Mortgage escrows	30,769	36,263
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$56,145	$68,557
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$136,301	$150,816

(1) Included in intangible lease assets and other assets in the condensed consolidated balance sheets.

The accompanying notes are an integral part of these condensed consolidated statements.

CBL & Associates Properties, Inc.
CBL & Associates Limited Partnership
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in thousands, except per share and per unit data)

Note 1 – Organization and Basis of Presentation

Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries.

CBL & Associates Properties, Inc. (“CBL”), a Delaware corporation, is a self-managed, self-administered, fully-integrated real estate investment trust (“REIT”) that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls, open-air and mixed-use centers, outlet centers, associated centers, community centers and office properties. Its properties are located in 26 states, but are primarily in the southeastern and midwestern United States.

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the “Operating Partnership”), which is a variable interest entity ("VIE"). The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a VIE.

As of September 30, 2018, the Operating Partnership owned interests in the following properties:

	Malls [1]	Other Properties			Total
		Associated Centers	Community Centers	Office Buildings/Other	
Consolidated properties	59	20	3	5 [2]	87
Unconsolidated properties [3]	8	3	4	1	16
Total	67	23	7	6	103

(1) Category consists of regional malls, open-air centers and outlet centers (including one mixed-use center).
(2) Includes CBL's two corporate office buildings.
(3) The Operating Partnership accounts for these investments using the equity method because one or more of the other partners have substantive participating rights.

At September 30, 2018, the Operating Partnership had interests in the following properties under development:

	Consolidated Properties		Unconsolidated Properties	
	Malls	All Other	Malls	All Other
Development	—	—	—	2
Redevelopments	8	—	1	—

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2018, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 85.6% limited partner interest for a combined interest held by CBL of 86.6%.

The noncontrolling interest in the Operating Partnership is held by CBL & Associates, Inc., its shareholders and affiliates and certain senior officers of the Company (collectively "CBL's Predecessor"), all of which contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993, and by various third parties. At September 30, 2018, CBL’s Predecessor owned a 9.1% limited partner interest and third parties owned a 4.3% limited partner interest in the Operating Partnership. CBL's Predecessor also owned 4.0 million shares of CBL’s common stock at September 30, 2018, for a total combined effective interest of 11.1% in the Operating Partnership.

Table of Contents

The Operating Partnership conducts the Company’s property management and development activities through its wholly owned subsidiary, CBL & Associates Management, Inc. (the “Management Company”), to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”).

The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. All intercompany transactions have been eliminated. The results for the interim period ended September 30, 2018 are not necessarily indicative of the results to be obtained for the full fiscal year.

These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2017.

Reclassifications

Certain reclassifications have been made to amounts in the Company's prior-year financial statements to conform to the current period presentation. The Company reclassified certain amounts related to restricted cash in its condensed consolidated statements of cash flows for the nine months ended September 30, 2017 upon the adoption of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-18, Restricted Cash ("ASU 2016-18") in the fourth quarter of 2017, which required the change in restricted cash to be reported with cash and cash equivalents when reconciling beginning and ending amounts on the condensed consolidated statements of cash flows. The guidance was applied retrospectively to the prior period presented. As a result, restricted cash reductions of $1,261, previously included in cash flows from investing activities, were reclassified to cash flows from financing activities to reflect $7,650 of principal payments on mortgage and other indebtedness and the remaining $8,911 difference was reclassified to the beginning-of-period and end-of-period total amounts on the condensed consolidated statement of cash flows for the nine months ended September 30, 2017.

Note 2 – Recent Accounting Pronouncements

Accounting Guidance Adopted

Description	Date Adopted & Application Method	Financial Statement Effect and Other Information
ASU 2014-09, Revenue from Contracts with Customers, and related subsequent amendments	January 1, 2018 - Modified Retrospective (applied to contracts not completed as of the implementation date)	The objective of this guidance is to enable financial statement users to better understand and analyze revenue by replacing transaction and industry-specific guidance with a more principles-based approach to revenue recognition. The core principle is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires additional disclosure about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts. The Company expects the adoption of the new guidance to be immaterial to its net income on an ongoing basis as the majority of the Company’s revenues relate to leasing. See Note 3 for further details and the cumulative adjustment recorded.
ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory	January 1, 2018 - Modified Retrospective	The guidance requires an entity to recognize the income tax consequences of intercompany sales or transfers of assets, other than inventory, when the sale or transfer occurs. The Company recorded a cumulative effect adjustment of $11,433 to retained earnings as of

		January 1, 2018 related to certain 2017 asset sales from several of the Company's consolidated subsidiaries to the Management Company.
ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	January 1, 2018 - Modified Retrospective	This guidance applies to the partial sale or transfer of nonfinancial assets, including real estate assets, to unconsolidated joint ventures and requires 100% of the gain to be recognized for nonfinancial assets transferred to an unconsolidated joint venture and any noncontrolling interest received in such nonfinancial assets to be measured at fair value. See Note 3 for further details including the impact of adoption and the cumulative adjustment recorded.

Table of Contents

Description	Date Adopted & Application Method	Financial Statement Effect and Other Information
ASU 2017-09, Scope of Modification Accounting	January 1, 2018 - Prospective	The guidance clarifies the types of changes to the terms or conditions of a share-based payment award to which an entity would be required to apply modification accounting. The guidance did not have a material impact on the Company's condensed consolidated financial statements.

Accounting Guidance Not Yet Effective

Description	Expected Adoption Date & Application Method	Financial Statement Effect and Other Information
ASU 2016-02, Leases, and related subsequent amendments	January 1, 2019 - Modified Retrospective (electing optional transition method to apply at adoption date and record cumulative-effect adjustment as of January 1, 2019)	The objective of the leasing guidance is to increase transparency and comparability by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Lessees will be required to recognize a right-of-use asset and corresponding lease liability on the balance sheet for all leases with terms greater than 12 months. The guidance applied by a lessor is substantially similar to existing GAAP and the Company expects substantially all leases will continue to be classified as operating leases under the new guidance. The Company expects to expense certain deferred lease costs due to the narrowed definition of indirect costs that may be capitalized. Of the $1,456 in deferred lease costs recorded in 2017, approximately $183 related to legal costs which would not be capitalized under the new guidance. The Company completed an inventory of its leases in which it is a lessee and expects to record right-of-use assets and corresponding lease liabilities for ground leases. The Company has 10 ground lease arrangements in which it is the lessee for land. As of September 30, 2018, these ground leases have future contractual payments of approximately $14,767 with maturity dates ranging from February 2022 to July 2089. Practical expedients and accounting policy elections: The Company plans to elect a package of practical expedients pursuant to which it will not reassess contracts to determine if they contain leases, will not reassess lease classification and will not reassess capitalization of initial direct costs related to expired or existing leases as of the adoption date. The Company also plans to use the land easements practical expedient and apply the short-term lease policy election to leases 12 months or less at inception. The Company expects to adopt the practical expedient which allows lessors to combine lease and non-lease components if certain conditions are met. The majority of the Company's revenues will continue to be classified as leasing revenues. The Company is assessing the potential impact the guidance may have on its condensed consolidated financial statements and

		related disclosures.
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	January 1, 2020 - Modified Retrospective	The guidance replaces the current incurred loss impairment model, which reflects credit events, with a current expected credit loss model, which recognizes an allowance for credit losses based on an entity's estimate of contractual cash flows not expected to be collected. The Company is evaluating the impact that this update may have on its condensed consolidated financial statements and related disclosures.

Table of Contents

Description	Expected Adoption Date & Application Method	Financial Statement Effect and Other Information
ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	January 1, 2020 - Prospective	The guidance addresses diversity in practice in accounting for the costs of implementation activities in a cloud computing arrangement that is a service contract. Under the guidance, the Company is to follow Subtopic 350-40 on internal-use software to determine which implementation costs to capitalize and which to expense. The guidance also requires an entity to expense capitalized implementation costs over the term of the hosting arrangement and include that expense in the same line item as the fees associated with the service element of the arrangement. The Company does not expect the adoption of this guidance will have a material impact on its condensed consolidated financial statements or disclosures.

Note 3 – Revenues

Adoption of ASU 2014-09, and all related subsequent amendments, and ASU 2017-05

The Company adopted ASC 606 (which includes ASU 2014-09 and all related subsequent amendments) on January 1, 2018 and applied the guidance to contracts that were not complete as of January 1, 2018. The cumulative effect of adopting ASC 606 included an opening adjustment of $196 to retained earnings as of January 1, 2018 in the accounts noted below. Historical amounts for prior periods were not adjusted and will continue to be reported using the guidance in ASC 605, Revenue Recognition.

Sales of real estate assets are accounted for under ASC 610-20, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets, which provides for revenue recognition based on the transfer of control. There should be no change in revenue recognition for sales in which the Company has no continuing involvement. ASU 2017-05 addresses revenue recognition related to property sales in which the Company has continuing involvement and may require full gain recognition.

In its adoption of ASU 2017-05, the Company identified one unconsolidated affiliate, CBL/T-C, LLC, in which the Company recorded a partial sale of real estate assets in 2011, and recorded a cumulative effect adjustment that represents a gain of $57,850 as of January 1, 2018. Additionally, in conjunction with the transfer of land in the formation of a new joint venture in 2017, the Company recorded $901 related to this transaction as a cumulative effect adjustment as of January 1, 2018.

See Note 2 for additional information about these accounting standards.

Contract Balances

A summary of the Company's contract assets activity during the nine months ended September 30, 2018 is presented below:

	Contract Assets
Balance as of January 1, 2018 [(1)]	$ 460
Tenant openings	(375)
Executed leases	525
Balance as of September 30, 2018	$ 610

(1) In conjunction with the initial entry to record contract assets, $166 was also recorded in investments in unconsolidated affiliates in the condensed consolidated balance sheets to eliminate the Company's portion related to two unconsolidated affiliates.

There was no change to the $98 contract liability, recorded on January 1, 2018, during the nine months ended September 30, 2018.

16

Table of Contents

The Company has the following contract balances as of September 30, 2018:

Description	Financial Statement Line Item	As of September 30, 2018	Expected Settlement Period 2018	2019	2020	2023
Contract assets (1)	Management, development and leasing fees	$ 610	$(213)	$(389)	(4)	$(4)
Contract liability (2)	Other rents	98	(49)	(49)	—	—

(1) Represents leasing fees recognized as revenue in the period in which the lease is executed. Under third party and unconsolidated affiliates' contracts, the remaining 50% of the commissions are paid when the tenant opens. The tenant typically opens within a year, unless the project is in development.

(2) Relates to a contract in which the Company received advance payments in the initial year of the multi-year contract.

Revenues

Sales taxes are excluded from revenues. The following table presents the Company's revenues disaggregated by revenue source:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Leasing revenues (1)	$ 200,731	$ 621,016
Revenues from contracts with customers (ASC 606):		
Operating expense reimbursements (2)	1,682	6,062
Management, development and leasing fees (3)	2,658	8,022
Marketing revenues (4)	1,124	3,374
	5,464	17,458
Other revenues	683	3,202
Total revenues	$ 206,878	$ 641,676

(1) Revenues from leases are accounted for in accordance with ASC 840, Leases.

(2) Includes $1,621 in the Malls segment and $61 in the All Other segment for the three months ended September 30, 2018. Includes $5,660 in the Malls segment and $402 in the All Other segment for the nine months ended September 30, 2018. See description below.

(3) Included in All Other segment.

(4) Includes $1,119 in the Malls segment and $5 in the All Other segment for the three months ended September 30, 2018. Includes $3,362 in the Malls segment and $12 in the All Other segment for the nine months ended September 30, 2018.

See Note 9 for information on the Company's segments.

Leasing Revenues

The majority of the Company’s revenues are earned through the lease of space at its properties. Lease revenues include minimum rent, percentage rent, other rents and reimbursements from tenants for real estate taxes, insurance, common area maintenance ("CAM") and other operating expenses as provided in the lease agreements.

Minimum rental revenue from operating leases is recognized on a straight-line basis over the initial terms of the related leases. Certain tenants are required to pay percentage rent if their sales volumes exceed thresholds specified in their lease agreements. Percentage rent is recognized as revenue when the thresholds are achieved and the amounts become determinable.

The Company receives reimbursements from tenants for real estate taxes, insurance, CAM and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized when earned in accordance with the tenant lease agreements. Tenant reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 15 years and are recognized as revenue in accordance with the underlying lease terms.

17

Table of Contents

Revenue from Contracts with Customers

Operating expense reimbursements

Under operating and other agreements with third parties which own anchor or outparcel buildings at the Company's properties and pay no rent, the Company receives reimbursements for certain operating expenses such as utilities, ring road and parking lot maintenance, landscaping and other fees. These arrangements are primarily either set at a fixed rate with rate increases typically every five years or are on a variable (pro rata) basis, typically as a percentage of costs allocated based on square footage or sales. The majority of these contracts have an initial term and one or more extension options, which cumulatively approximate 50 or more years as historically the initial term and any extension options are reasonably certain of being executed by the third party. The standalone selling price of each performance obligation is determined based on the terms of the contract, which typically assign a price to each performance obligation that directly relates to the value the customer receives for the services being provided. Revenue is recognized as services are transferred to the customer. Variable consideration is based on historical experience and is generally recognized over time using the cost-to-cost method of measurement because it most accurately depicts the Company's performance in satisfying the performance obligation. The cumulative catch-up method is used to recognize any adjustments in variable consideration estimates. Under this method, any adjustment is recognized in the period it is identified.

Management, development and leasing fees

The Company earns revenue from contracts with third parties and unconsolidated affiliates for property management, leasing, development and other services. These contracts are accounted for on a month-to-month basis if the agreement does not contain substantive penalties for termination. The majority of the Company's contracts with customers are accounted for on a month-to-month basis. The standalone selling price of each performance obligation is determined based on the terms of the contract, which typically assign a price to each performance obligation that directly relates to the value the customer receives for the services being provided. These contracts generally are for the following:

- Management fees - Management fees are charged as a percentage of revenues (as defined in the contract) and recognized as revenue over time as services are provided.
- Leasing fees - Leasing fees are charged for newly executed leases and lease renewals and are recognized as revenue upon lease execution, when the performance obligation is completed. In cases for which the agreement specifies 50% of the leasing commission will be paid upon lease execution with the remainder paid when the tenant opens, the Company estimates the amount of variable consideration it expects to receive by evaluating the likelihood of tenant openings using the most likely amount method and records the amount as an unbilled receivable (contract asset).
- Development fees - Development fees may be either set as a fixed rate in a separate agreement or be a variable rate based on a percentage of work costs. Variable consideration related to development fees is generally recognized over time using the cost-to-cost method of measurement because it most accurately depicts the Company's performance in satisfying the performance obligation. Contract estimates are based on various assumptions including the cost and availability of materials, anticipated performance and the complexity of the work to be performed. The cumulative catch-up method is used to recognize any adjustments in variable consideration estimates. Under this method, any adjustment is recognized in the period it is identified.

Development and leasing fees received from an unconsolidated affiliate are recognized as revenue only to the extent of the third-party partner’s ownership interest. The Company's share of such fees are recorded as a reduction to the Company’s investment in the unconsolidated affiliate.

Marketing revenues

The Company earns marketing revenues from advertising and sponsorship agreements. These fees may be for tangible items in which the Company provides advertising services and creates signs and other promotional materials for the tenant or may be arrangements in which the customer sponsors a play area or event and receives specified brand recognition and other benefits over a set period of time. Revenue related to advertising services is recognized as goods and services are provided to the customer. Sponsorship revenue is recognized on a straight-line basis over the time period specified in the contract.

18

Table of Contents

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. If the contract does not specify the revenue by performance obligation, the Company allocates the transaction price to each performance obligation based on its relative standalone selling price. Such prices are generally determined using prices charged to customers or using the Company’s expected cost plus margin. Revenue is recognized as the Company’s performance obligations are satisfied over time, as services are provided, or at a point in time, such as leasing a space to earn a commission. Open performance obligations are those in which the Company has not fully or has partially provided the applicable good or services to the customer as specified in the contract. If consideration is received in advance of the Company’s performance, including amounts which are refundable, recognition of revenue is deferred until the performance obligation is satisfied or amounts are no longer refundable.

Practical Expedients

The Company does not disclose the value of open performance obligations for (1) contracts with an original expected duration of one year or less and (2) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice, which primarily relate to services performed for certain operating expense reimbursements and management, leasing and development activities, as described above. Performance obligations related to pro rata operating expense reimbursements for certain noncancellable contracts are disclosed below.

Outstanding Performance Obligations

The Company has outstanding performance obligations related to certain noncancellable contracts with customers for which it will receive pro rata operating expense reimbursements for providing certain maintenance and other services as described above. As of September 30, 2018, the Company expects to recognize these amounts as revenue over the following periods:

Performance obligation	Less than 5 years	5-20 years	Over 20 years	Total
Pro rata operating expense reimbursements	$981	$4,899	$33,581	$39,461

The Company evaluates its performance obligations each period and makes adjustments to reflect any known additions or cancellations. Performance obligations related to variable consideration which is based on sales is constrained.

Note 4 – Fair Value Measurements

The Company has categorized its financial assets and financial liabilities that are recorded at fair value into a hierarchy in accordance with ASC 820, Fair Value Measurements and Disclosure, ("ASC 820") based on whether the inputs to valuation techniques are observable or unobservable. The fair value hierarchy contains three levels of inputs that may be used to measure fair value as follows:

Level 1 –	Inputs represent quoted prices in active markets for identical assets and liabilities as of the measurement date.
Level 2 –	Inputs, other than those included in Level 1, represent observable measurements for similar instruments in active markets, or identical or similar instruments in markets that are not active, and observable measurements or market data for instruments with substantially the full term of the asset or liability.
Level 3 –	Inputs represent unobservable measurements, supported by little, if any, market activity, and require considerable assumptions that are significant to the fair value of the asset or liability. Market valuations must often be determined using discounted cash flow methodologies, pricing models or similar techniques based on the Company’s assumptions and best judgment.

The asset or liability's fair value within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Under ASC 820, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction at the measurement date and under current market conditions. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs and consider assumptions such as inherent risk, transfer restrictions and risk of nonperformance.

19

Table of Contents

Fair Value Measurements on a Recurring Basis

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage and other notes receivable is a reasonable estimate of fair value. The estimated fair value of mortgage and other indebtedness was $3,905,211 and $4,199,357 at September 30, 2018 and December 31, 2017, respectively. The fair value was calculated using Level 2 inputs by discounting future cash flows for mortgage and other indebtedness using estimated market rates at which similar loans would be made currently.

Fair Value Measurements on a Nonrecurring Basis

The Company measures the fair value of certain long-lived assets on a nonrecurring basis, through quarterly impairment testing or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company considers both quantitative and qualitative factors in its impairment analysis of long-lived assets. Significant quantitative factors include historical and forecasted information for each property such as net operating income ("NOI"), occupancy statistics and sales levels. Significant qualitative factors used include market conditions, age and condition of the property and tenant mix. Due to the significant unobservable estimates and assumptions used in the valuation of long-lived assets that experience impairment, the Company classifies such long-lived assets under Level 3 in the fair value hierarchy. Level 3 inputs primarily consist of sales and market data, independent valuations and discounted cash flow models.

Long-lived Assets Measured at Fair Value in 2018

The following table sets forth information regarding the Company's assets that are measured at fair value on a nonrecurring basis and related impairment charges for the nine months ended September 30, 2018:

		Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Loss on Impairment
Long-lived assets	$42,100	$ —	$ —	$ 42,100	$ 84,644

During the nine months ended September 30, 2018, the Company recognized an impairment of real estate of $84,644 related to two malls and undeveloped land:

Impairment Date	Property	Location	Segment Classification	Loss on Impairment	Fair Value
March	Janesville Mall (1)	Janesville, WI	Malls	$ 18,061	$—
June	Cary Towne Center (2)	Cary, NC	Malls	51,985	34,000
September	Vacant land (3)	D'Iberville, MS	All Other	14,598	8,100
				$ 84,644	$42,100

(1) The Company adjusted the book value of the mall to its estimated fair value based upon a net sales price of $17,640 in a signed contract with a third party buyer, adjusted to reflect estimated disposition costs. The mall was classified as held for sale as of June 30, 2018 until its sale in in July 2018. See Note 5 for additional information.

(2) In June 2018, the Company was notified by IKEA that, as a result of a shift in its corporate strategy, it was terminating the contract to purchase land at the mall upon which it would develop and open a store. Under the terms of the interest-only non-recourse loan secured by the mall, the loan matured on the date the IKEA contract terminated if that date was prior to the scheduled maturity date of March 5, 2019. The Company engaged in

conversations with the lender regarding a potential restructure of the loan. Based on the results of these conversations, the Company concluded that an impairment was required because it was unlikely to recover the asset's net carrying value through future cash flows. Management determined the fair value of Cary Towne Center using a discounted cash flow methodology. The discounted cash flow used assumptions including a 10-year holding period, a capitalization rate of 12.0% and a discount rate of 13%. See Note 7 for information related to the mortgage loan.

(3) In accordance with the Company's quarterly impairment review process, the Company wrote down the book value of land to its estimated value of $8,100. The Company evaluated comparable land parcel transactions and determined that $8,100 was the land's estimated fair value.

20

Table of Contents

Long-lived Assets Measured at Fair Value in 2017

The following table sets forth information regarding the Company's assets, which are included in the Company's condensed consolidated balance sheets as of September 30, 2018, that were measured at fair value on a nonrecurring basis and related impairment charges for the year ended December 31, 2017:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-lived assets	$81,350	$ —	$ —	$ 81,350

During the year ended December 31, 2017, the Company wrote down the book value of the following properties:

Impairment Date	Property	Location	Segment Classification	Loss on Impairment	Fair Value
June	Acadiana Mall (1)	Lafayette, LA	Malls	$ 43,007	$67,300
September	Hickory Point Mall (2)	Forsyth, IL	Malls	24,525	14,050
				$ 67,532	$81,350

(1) In accordance with the Company's quarterly impairment review process, the Company wrote down the book value of the mall to its estimated fair value of $67,300. Management determined the fair value of Acadiana Mall using a discounted cash flow methodology. The discounted cash flow used assumptions including a holding period of 10 years, with a sale at the end of the holding period, a capitalization rate of 15.5% and a discount rate of 15.75%. The mall has experienced declining tenant sales and cash flows as a result of the downturn of the economy in its market area and was also impacted by an anchor's announcement in the second quarter 2017 that it would close its store later in 2017. The loan secured by Acadiana Mall matured in April 2017 and is in default. See Note 7 for additional information related to the mortgage loan.

(2) In accordance with the Company's quarterly impairment review process, the Company wrote down the book value of the mall to its estimated fair value of $14,050. Management determined the fair value of Hickory Point Mall using a discounted cash flow methodology. The discounted cash flow used assumptions including a holding period of 10 years, with a sale at the end of the holding period, a capitalization rate of 18.0% and a discount rate of 19.0%.

Note 5 – Dispositions and Held for Sale

The Company evaluates its disposals utilizing the guidance in ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Based on its analysis, the Company determined that the dispositions described below do not meet the criteria for classification as discontinued operations and are not considered to be significant disposals based on its quantitative and qualitative evaluation. Thus, the results of operations of the properties described below, as well as any related gains or losses, are included in net income for all periods presented, as applicable.

2018 Dispositions

Net proceeds realized from the 2018 dispositions listed below were used to reduce the outstanding balances on the Company's credit facilities unless otherwise noted.

The following is a summary of the Company's 2018 dispositions:

				Sales Price		
Sales Date	Property	Property Type	Location	Gross	Net	Gain
March	Gulf Coast Town Center - Phase III	All Other	Ft. Myers, FL	$9,000	$8,769	$2,236

July	Janesville Mall [1]	Malls	Janesville, WI	18,000	17,783	—
September	Statesboro Crossing [2]	All Other	Statesboro, GA	21,500	10,532	3,215
September	Prior sales adjustment	Malls		—	—	92
				$48,500	$37,084	$5,543

(1) The Company recognized a loss on impairment of $18,061 in 2018 when it adjusted the book value of the mall to its estimated fair value

21

Table of Contents

based upon a contract with a third party buyer, adjusted to reflect estimated disposition costs. See Note 4. The mall was classified as held for sale as of June 30, 2018 until its sale in July 2018.

(2) In conjunction with the sale of this 50/50 consolidated joint venture, the loan secured by the community center was retired. See Note 7 for more information. The Company received 100% of the net proceeds from the sale in accordance with the terms of the joint venture agreement.

The Company also realized a gain of $10,455 primarily related to the sale of 10 outparcels and proceeds from several outparcels sold through eminent domain proceedings during the nine months ended September 30, 2018.

2018 Held for Sale

Parkway Plaza was classified as held for sale at September 30, 2018 and the $14,807 on the condensed consolidated balance sheets represents the Company's related net investment in real estate assets at September 30, 2018, which approximates 0.3% of the Company's total assets as of September 30, 2018. There are no other material assets or liabilities associated with this community center. The community center was sold subsequent to September 30, 2018. See Note 14 for additional information.

Note 6 – Unconsolidated Affiliates and Noncontrolling Interests

Unconsolidated Affiliates

Although the Company had majority ownership of certain joint ventures during 2018 and 2017, it evaluated the investments and concluded that the other partners or owners in these joint ventures had substantive participating rights, such as approvals of:

- the pro forma for the development and construction of the project and any material deviations or modifications thereto;
- the site plan and any material deviations or modifications thereto;
- the conceptual design of the project and the initial plans and specifications for the project and any material deviations or modifications thereto;
- any acquisition/construction loans or any permanent financings/refinancings;
- the annual operating budgets and any material deviations or modifications thereto;
- the initial leasing plan and leasing parameters and any material deviations or modifications thereto; and
- any material acquisitions or dispositions with respect to the project.

As a result of the joint control over these joint ventures, the Company accounts for these investments using the equity method of accounting.

At September 30, 2018, the Company had investments in 19 entities, which are accounted for using the equity method of accounting. The Company's ownership interest in these unconsolidated affiliates ranges from 10.0% to 65.0%. Of these entities, 14 are owned in 50/50 joint ventures.

2018 Activity - Unconsolidated Affiliates

G&I VIII CBL Triangle LLC

In September 2018, G&I VIII CBL Triangle LLC recognized an impairment of $89,826 to write down Triangle Town Center's net book value of $123,453 to its estimated fair value of approximately $33,600. Management determined the fair value using a discounted cash flow methodology. The discounted cash flow used assumptions including a holding period of 10 years, with a sale at the end of the holding period, a capitalization rate of 15% and a discount rate of 15%. The mall has experienced declining tenant sales over the past few years and is facing challenges from store closures. The Company recorded $1,022 as its share of the loss on impairment recognized by the unconsolidated joint venture, which reduced the carrying value of the Company's investment in the joint venture to zero as of September 30, 2018.

Table of Contents

Self Storage at Mid Rivers, LLC

In April 2018, the Company entered into a 50/50 joint venture, Self Storage at Mid Rivers, LLC, to develop a self-storage facility adjacent to Mid Rivers Mall. The Company recorded a $387 gain on investment related to land which it contributed to the joint venture. The unconsolidated affiliate is a VIE. See additional information in Variable Interest Entities below. In conjunction with the formation of the joint venture, the unconsolidated affiliate closed on a construction loan. See details below under 2018 Financings.

Condensed Combined Financial Statements - Unconsolidated Affiliates

Condensed combined financial statement information of the unconsolidated affiliates is as follows:

	September 30, 2018	December 31, 2017
ASSETS		
Investment in real estate assets	$ 2,025,289	$ 2,089,262
Accumulated depreciation	(658,163)	(618,922)
	1,367,126	1,470,340
Developments in progress	68,768	36,765
Net investment in real estate assets	1,435,894	1,507,105
Other assets	186,912	201,114
Total assets	$ 1,622,806	$ 1,708,219
LIABILITIES		
Mortgage and other indebtedness, net	$ 1,322,144	$ 1,248,817
Other liabilities	42,986	41,291
Total liabilities	1,365,130	1,290,108
OWNERS' EQUITY		
The Company	183,392	216,292
Other investors	74,284	201,819
Total owners' equity	257,676	418,111
Total liabilities and owners' equity	$ 1,622,806	$ 1,708,219

	Total for the Three Months Ended September 30,	
	2018	2017
Total revenues	$54,579	$57,395
Net income (loss) (1)	$(85,136)	$7,868

(1) The Company's share of net income (loss) is $1,762 and $4,706 for the three months ended September 30, 2018 and 2017, respectively.

	Total for the Nine Months Ended September 30,	
	2018	2017
Total revenues	$166,843	$175,250
Net income (loss) (1)	$(72,585)	$24,980

(1) The Company's share of net income (loss) is $9,869 and $16,404 for the nine months ended September 30, 2018 and 2017, respectively.

Financings - Unconsolidated Affiliates

All of the debt on the properties owned by the unconsolidated affiliates is non-recourse, except for debt secured by Ambassador Infrastructure, Hammock Landing, The Pavilion at Port Orange, The Shoppes at Eagle Point

Table of Contents

and the self-storage developments adjacent to EastGate Mall and Mid Rivers Mall. See Note 11 for a description of guarantees the Operating Partnership has issued related to these unconsolidated affiliates.

2018 Financings

The Company's unconsolidated affiliates had the following loan activity in 2018:

Date	Property	Stated Interest Rate	Maturity Date	Amount Financed or Extended
April	CoolSprings Galleria (1)	4.839%	May 2028	$155,000
April	Self-storage development - Mid Rivers Mall (2)	LIBOR + 2.75%	April 2023	5,987
May	Hammock Landing - Phase I	LIBOR + 2.25%	February 2021 (3)	41,997
May	Hammock Landing - Phase II	LIBOR + 2.25%	February 2021 (3)	16,217
May	The Pavilion at Port Orange	LIBOR + 2.25%	February 2021 (3)	56,738

(1) CBL/T-C, LLC, a 50/50 joint venture, closed on a non-recourse loan. Proceeds from the loan were used to retire a $97,732 loan, which was due to mature in June 2018. See 2018 Loan Repayment below for more information. The Company's share of excess proceeds were used to reduce outstanding balances on its credit facilities.

(2) Self Storage at Mid Rivers, LLC, a 50/50 joint venture, closed on a construction loan with a total borrowing capacity of up to $5,987 for the development of a climate controlled self-storage facility adjacent to Mid Rivers Mall in St. Peters, MO. The Operating Partnership has guaranteed 100% of the loan. See Note 11 for more information.

(3) The loans were amended to extend the maturity dates to February 2021. Each loan has two one-year extension options for an outside maturity date of February 2023. The interest rate increased from a variable rate of LIBOR plus 2.0%. The Operating Partnership's guaranty also increased to 50%.

2018 Loan Repayment

The loan, secured by the related unconsolidated property, was retired in 2018:

Date	Property	Interest Rate at Repayment Date	Scheduled Maturity Date	Principal Balance Repaid
April	CoolSprings Galleria (1)	6.98%	June 2018	$97,732

(1) The loan secured by the property was retired using a portion of the net proceeds from a $155,000 fixed-rate loan. See 2018 Financings above for more information.

Noncontrolling Interests

Noncontrolling interests consist of the following:

	As of September 30, 2018	December 31, 2017
Noncontrolling interests:		
Operating Partnership	$67,476	$86,773
Other consolidated subsidiaries	11,799	9,701
	$79,275	$96,474

Common Unit Activity

In the second quarter of 2018, the Operating Partnership elected to pay cash of $2,246 to two holders of 526,510 common units of limited partnership interest in the Operating Partnership upon the exercise of their conversion rights. In the first quarter of 2018, the Company issued 915,338 shares of common stock to a holder of 915,338 common units of limited partnership interest in the Operating Partnership in connection with the exercise of the holder's contractual exchange rights.

Table of Contents

Variable Interest Entities

In accordance with the guidance in ASU 2015-02, Amendments to the Consolidation Analysis, and ASU 2016-17, Interests Held Through Related Parties That Are under Common Control, the Operating Partnership and certain of its subsidiaries are deemed to have the characteristics of a VIE primarily because the limited partners of these entities do not collectively possess substantive kick-out or participating rights.

The Company consolidates the Operating Partnership, which is a VIE, for which the Company is the primary beneficiary. The Company, through the Operating Partnership, consolidates all VIEs for which it is the primary beneficiary. Generally, a VIE is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A limited partnership is considered a VIE when the majority of the limited partners unrelated to the general partner possess neither the right to remove the general partner without cause, nor certain rights to participate in the decisions that most significantly affect the financial results of the partnership. In determining whether the Company is the primary beneficiary of a VIE, the Company considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE’s economic performance and which party controls such activities; the amount and characteristics of the Company's investment; the obligation or likelihood for the Company or other investors to provide financial support; and the similarity with and significance to the Company's business activities and the business activities of the other investors.

Consolidated VIEs

As of September 30, 2018, the Company had investments in 19 consolidated VIEs with ownership interests ranging from 50% to 95%.

While the Company sold Statesboro Crossing in September 2018 (see Note 5 for additional information), Statesboro Crossing, LLC retained three outparcels which were not part of the sale and the consolidated joint venture is still classified as a VIE as of September 30, 2018.

Jarnigan Road II, LLC was wholly-owned by Jarnigan Road LP. During the second quarter of 2018, its ownership was restructured such that it became a wholly-owned subsidiary of the Management Company and is now a separate reportable VIE.

Unconsolidated VIEs

The table below lists the Company's unconsolidated VIEs as of September 30, 2018:

	Investment in Real Estate Joint Ventures and Partnerships	Maximum Risk of Loss
Ambassador Infrastructure, LLC (1)	$ —	$ 10,605
EastGate Storage, LLC (1)	1,215	6,500
G&I VIII CBL Triangle LLC (2)	—	—
Self Storage at Mid Rivers, LLC (1)	1,061	5,987
Shoppes at Eagle Point, LLC (1)	17,519	36,400

(1) The debt is guaranteed by the Operating Partnership at 100%. See Note 11 for more information.

(2) In conjunction with a loss on impairment recorded in September 2018, as described above, the Company wrote down its investment in the unconsolidated 90/10 joint venture to zero. The maximum risk of loss is limited to the basis, which is zero.

Note 7 – Mortgage and Other Indebtedness, Net

Debt of the Company

CBL has no indebtedness. Either the Operating Partnership or one of its consolidated subsidiaries, that it has a direct or indirect ownership interest in, is the borrower on all of the Company's debt. CBL is a limited guarantor of the Senior Unsecured Notes (the "Notes"), as described below, for losses suffered solely by reason of fraud or willful misrepresentation by the Operating Partnership or its affiliates.

The Company also provides a similar limited guarantee of the Operating Partnership's obligations with respect to its unsecured credit facilities and three unsecured term loans as of September 30, 2018.

Table of Contents

Debt of the Operating Partnership

Net mortgage and other indebtedness consisted of the following:

	September 30, 2018		December 31, 2017	
	Amount	Weighted-Average Interest Rate (1)	Amount	Weighted-Average Interest Rate (1)
Fixed-rate debt:				
Non-recourse loans on operating properties	$1,797,080	5.33%	$1,796,203	5.33%
Senior unsecured notes due 2023 (2)	447,309	5.25%	446,976	5.25%
Senior unsecured notes due 2024 (3)	299,951	4.60%	299,946	4.60%
Senior unsecured notes due 2026 (4)	616,436	5.95%	615,848	5.95%
Total fixed-rate debt	3,160,776	5.37%	3,158,973	5.37%
Variable-rate debt:				
Non-recourse loan on operating property (5)	—	—%	10,836	3.37%
Recourse loans on operating properties	74,150	4.73%	101,187	4.00%
Unsecured lines of credit	201,358	3.65%	93,787	2.56%
Unsecured term loans	695,000	3.96%	885,000	2.81%
Total variable-rate debt	970,508	3.95%	1,090,810	2.90%
Total fixed-rate and variable-rate debt	4,131,284	5.04%	4,249,783	4.74%
Unamortized deferred financing costs	(15,476)		(18,938)	
Total mortgage and other indebtedness, net	$4,115,808		$4,230,845	

(1) Weighted-average interest rate includes the effect of debt premiums and discounts, but excludes amortization of deferred financing costs.

(2) The balance is net of an unamortized discount of $2,691 and $3,024 as of September 30, 2018 and December 31, 2017, respectively.

(3) The balance is net of an unamortized discount of $49 and $54 as of September 30, 2018 and December 31, 2017, respectively.

(4) The balance is net of an unamortized discount of $8,564 and $9,152 as of September 30, 2018 and December 31, 2017, respectively.

(5) The loan was retired in conjunction with the sale of the property in September 2018. See Mortgages on Operating Properties section below.

Senior Unsecured Notes

Description	Issued (1)	Amount	Interest Rate (2)	Maturity Date (3)
2023 Notes	November 2013	$450,000	5.25%	December 2023
2024 Notes	October 2014	300,000	4.60%	October 2024
2026 Notes	December 2016 / September 2017	625,000	5.95%	December 2026

(1) Issued by the Operating Partnership. CBL is a limited guarantor of the Operating Partnership's obligations under the Notes as described above.

(2) Interest is payable semiannually in arrears. The interest rate for the 2024 Notes and the 2023 Notes is subject to an increase ranging from 0.25% to 1.00% from time to time if, on or after January 1, 2016 and prior to January 1, 2020, the ratio of secured debt to total assets of the Company, as defined, is greater than 40% but less than 45%. The required ratio of secured debt to total assets for the 2026 Notes is 40% or less. As of September 30, 2018, this ratio was 24% as shown below.

(3) The Notes are redeemable at the Operating Partnership's election, in whole or in part from time to time, on not less than 30 days and not more than 60 days' notice to the holders of the Notes to be redeemed. The 2026 Notes, the 2024 Notes and the 2023 Notes may be redeemed prior to September 15, 2026, July 15, 2024, and September 1, 2023, respectively, for cash at a redemption price equal to the aggregate principal amount of the Notes to be

redeemed, plus accrued and unpaid interest to, but not including, the redemption date and a make-whole premium calculated in accordance with the indenture. On or after the respective dates noted above, the Notes are redeemable for cash at a redemption price equal to the aggregate principal amount of the Notes to be redeemed plus accrued and unpaid interest. If redeemed prior to the respective dates noted above, each issuance of Notes is redeemable at the treasury rate plus 0.50%, 0.35% and 0.40% for the 2026 Notes, the 2024 Notes and the 2023 Notes, respectively.

Table of Contents

Unsecured Lines of Credit

The Company has three unsecured credit facilities that are used for retirement of secured loans, repayment of term loans, working capital, construction and acquisition purposes, as well as issuances of letters of credit.

Each facility bears interest at LIBOR plus a spread of 0.875% to 1.550% based on the credit ratings for the Operating Partnership's senior unsecured long-term indebtedness. In August 2018, Standard & Poor's ("S&P") lowered its rating from BBB- to BB+, which caused the Company's interest rates to increase in September 2018. As of September 30, 2018, the Operating Partnership's interest rate is LIBOR plus 1.550%, based on the credit ratings of its unsecured long-term indebtedness of Ba1 from Moody's Investors Service ("Moody's"), BB+ from S&P and BB+ from Fitch Ratings ("Fitch"). Additionally, the Company pays an annual facility fee that ranges from 0.125% to 0.300% of the total capacity of each facility based on the credit ratings described above. As of September 30, 2018, the annual facility fee was 0.30%. The three unsecured lines of credit had a weighted-average interest rate of 3.65% at September 30, 2018.

The following summarizes certain information about the Company's unsecured lines of credit as of September 30, 2018:

	Total Capacity		Total Outstanding		Maturity Date	Extended Maturity Date	
Wells Fargo - Facility A	$500,000	(1)	$ —		October 2019	October 2020	(2)
First Tennessee	100,000	(3)	47,695		October 2019	October 2020	(4)
Wells Fargo - Facility B	500,000	(1)	153,663	(5)	October 2020		
	$1,100,000	(6)	$ 201,358				

(1) Up to $30,000 of the capacity on this facility can be used for letters of credit.

(2) The extension option is at the Company's election, subject to continued compliance with the terms of the facility, and has a one-time extension fee of 0.15% of the commitment amount of the credit facility.

(3) Up to $20,000 of the capacity on this facility can be used for letters of credit.

(4) The extension option on the facility is at the Company's election, subject to continued compliance with the terms of the facility, and has a one-time extension fee of 0.20% of the commitment amount of the credit facility.

(5) There was $4,833 outstanding on this facility as of September 30, 2018 for letters of credit.

(6) See debt covenant section below for limitation on excess capacity.

Unsecured Term Loans

The following summarizes certain information about the Company's unsecured term loans as of September 30, 2018:

	Total Outstanding	Interest Rate Spread	Interest Rate	Maturity Date	Extended Maturity Date	
Wells Fargo - $350,000 term loan	$ 350,000	LIBOR + 1.75%	3.85%	October 2018	October 2019	(1)
Wells Fargo - $300,000 term loan	300,000	LIBOR + 2.00%	4.10%	July 2020	July 2022	(2)
First Tennessee - $45,000 term loan	45,000	LIBOR + 1.65%	3.75%	June 2021	June 2022	
	$ 695,000					

(1) Subsequent to September 30, 2018, the Company exercised the extension option. See Note 14.

(2) The loan has two one-year extension options, the second of which is at the lender's discretion.

Financial Covenants and Restrictions

The agreements for the unsecured lines of credit, the Notes and unsecured term loans contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum unencumbered asset and interest ratios, maximum secured indebtedness ratios, maximum total indebtedness ratios and limitations on cash flow distributions. The Company believes that it was in compliance with all financial covenants and restrictions at September 30, 2018.

Table of Contents

Unsecured Lines of Credit and Unsecured Term Loans

The following presents the Company's compliance with key covenant ratios, as defined, of the credit facilities and term loans as of September 30, 2018:

Ratio	Required	Actual
Debt to total asset value	< 60%	53 %
Unsecured indebtedness to unencumbered asset value	< 60%	49 % (1)
Unencumbered NOI to unsecured interest expense	> 1.75x	2.6x
EBITDA to fixed charges (debt service)	> 1.5x	2.3x

(1) The debt covenant limits the total amount of unsecured indebtedness the Company may have outstanding, which varies over time based on the ratio. Based on the Company's outstanding unsecured indebtedness as of September 30, 2018, the total amount available to the Company on its lines of credit was $697,627. Therefore, the Company had additional availability of $491,436 based on the outstanding balances of the lines of credit as of September 30, 2018.

The agreements for the unsecured credit facilities and unsecured term loans described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to $50,000 or any non-recourse indebtedness greater than $150,000 (for the Company's ownership share) of CBL, the Operating Partnership or any Subsidiary, as defined, will constitute an event of default under the agreements to the credit facilities. The credit facilities also restrict the Company's ability to enter into any transaction that could result in certain changes in its ownership or structure as described under the heading "Change of Control/Change in Management" in the agreements for the credit facilities.

Senior Unsecured Notes

The following presents the Company's compliance with key covenant ratios, as defined, of the Notes as of September 30, 2018:

Ratio	Required	Actual
Total debt to total assets	< 60%	52%
Secured debt to total assets	< 40% (1)	24%
Total unencumbered assets to unsecured debt	> 150%	215%
Consolidated income available for debt service to annual debt service charge	> 1.5x	2.7x

(1) Secured debt to total assets must be less than 45% for the 2023 Notes and the 2024 Notes until January 1, 2020.

The agreements for the Notes described above contain default provisions customary for transactions of this nature (with applicable customary grace periods). Additionally, any default in the payment of any recourse indebtedness greater than or equal to $50,000 of the Operating Partnership will constitute an event of default under the Notes.

Mortgages on Operating Properties

2018 Financings

The following table presents the loan, secured by the related consolidated property, that was entered into in 2018:

Date	Property	Stated Interest Rate	Maturity Date	Amount Financed
September	The Outlet Shoppes at El Paso (1)	5.10%	October 2028	$ 75,000

(1) The Company owns the property in a 75/25 consolidated joint venture. A portion of the proceeds from the non-recourse loan was used to retire a recourse loan secured by Phase II of The Outlet Shoppes at El Paso as described below.

In August 2018, the Company exercised an option to extend the $27,446 loan secured by Hickory Point Mall to December 2019.

Subsequent to September 30, 2018, the Company closed on a construction loan for the redevelopment of the former Sears store at Brookfield Square. See Note 14 for more information.

Table of Contents

2018 Loan Repayments

The Company repaid the following loans, secured by the related consolidated properties, in 2018:

Date	Property	Interest Rate at Repayment Date	Scheduled Maturity Date	Principal Balance Repaid (1)
January	Kirkwood Mall	5.75%	April 2018	$ 37,295
August	Statesboro Crossing (2)	4.24%	June 2019	10,753
September	The Outlet Shoppes at El Paso - Phase II (3)	4.73%	December 2018	6,525
				$ 54,573

(1) The Company retired the loans with borrowings from its credit facilities unless otherwise noted.

(2) The loan was retired in conjunction with the sale of the property that secured the loan. See Note 5 for more information.

(3) In July 2018, the loan secured by the property was extended from July 2018 to December 2018. It was subsequently retired when the joint venture closed on a new loan in September 2018 as described above.

Other

On June 4, 2018, the Company was notified by IKEA that, as a result of a shift in its corporate strategy, it was terminating the contract to purchase land at Cary Towne Center, upon which it would develop and open a store. In accordance with the terms of the $43,716 interest-only non-recourse loan that is secured by the mall, the loan matured on the date of the IKEA contract termination and is in default as of September 30, 2018. In August 2018, the Company and the lender executed a forbearance agreement. See Note 4 for information on the loss on impairment of real estate that the Company recorded in June 2018.

Scheduled Principal Payments

As of September 30, 2018, the scheduled principal amortization and balloon payments of the Company's consolidated debt, excluding extensions available at the Company's option, on all mortgage and other indebtedness, including construction loans and lines of credit, are as follows:

2018	$411,284
2019	309,346
2020	661,816
2021	499,321
2022	432,546
Thereafter	1,706,132
	4,020,445
Unamortized discounts	(11,304)
Unamortized deferred financing costs	(15,476)
Principal balance of loan secured by Lender Mall in foreclosure (1)	122,143
Total mortgage and other indebtedness, net	$4,115,808

(1) Represents the principal balance of the non-recourse loan, secured by Acadiana Mall, which is in default. The loan matured in 2017.

Of the $411,284 of scheduled principal payments in 2018, $43,716 relates to the principal balance of the operating property loan secured by Cary Towne Center, $350,000 represents the principal balance of one unsecured term loan and $17,568 relates to scheduled principal amortization. In August 2018, the Company entered into a forbearance agreement with the lender on the loan secured by Cary Towne Center, which is in default. Subsequent to September 30, 2018, the unsecured term loan was extended. See Note 14 for more information.

The Company is in the process of refinancing the $350,000 unsecured term loan that matures in October 2019. The refinancing will also include the $300,000 unsecured term loan, the $45,000 unsecured term loan and the three unsecured lines of credit with an aggregate capacity of $1,100,000. The unsecured term loans and lines of credit will be converted from unsecured to secured facilities. The Company has agreed with Wells Fargo, as lead lender, on a pool of properties that will serve as collateral for the new secured term loans and secured lines of credit. The due diligence on these properties is ongoing and is expected to be completed by January 2019. Until due diligence is

Table of Contents

complete, the number and specific properties comprising the collateral pool may change. Wells Fargo will secure commitments from additional banks as participants in the new facilities; however, the composition of the lenders and the amount that each will hold will be subject to the final approval of each lender. As of the date of the filing of these financial statements, management has obtained the approval of the Board of Directors and has agreed to a non-binding term sheet with Wells Fargo that includes a longer-term maturity. It is expected that the refinancing will close in January 2019.

In the unlikely event the secured facility is not closed, management intends to utilize availability under the existing unsecured lines of credit to retire the $350,000 unsecured term loan that matures in October 2019. The $300,000 and the $45,000 term loans have a final maturity of July 2022 and June 2022, respectively, and the combined $1,100,000 lines of credit have a final maturity of October 2020.

The Company's mortgage and other indebtedness had a weighted-average maturity of 3.9 years as of September 30, 2018 and 4.4 years as of December 31, 2017.

Note 8 – Mortgage and Other Notes Receivable

Each of the Company's mortgage notes receivable is collateralized by either a first mortgage, a second mortgage, or by an assignment of 100% of the partnership interests that own the real estate assets. Other notes receivable include amounts due from tenants or government-sponsored districts and unsecured notes received from third parties as whole or partial consideration for property or investments.

Mortgage and other notes receivable consist of the following:

		As of September 30, 2018		As of December 31, 2017	
	Maturity Date	Interest Rate	Balance	Interest Rate	Balance
Mortgages:					
Columbia Place Outparcel	Feb 2022	5.00%	$ 288	5.00%	$ 302
One Park Place	May 2022	5.00%	837	5.00%	1,010
Village Square (1)	Sep 2018	4.00%	1,554	4.00%	1,596
Other (2)	Dec 2016 - Jan 2047	4.73% - 9.50%	2,510	4.07% - 9.50%	2,510
			5,189		5,418
Other Notes Receivable:					
ERMC	Sep 2021	4.00%	2,354	4.00%	2,855
Southwest Theaters LLC	Apr 2026	5.00%	628	5.00%	672
			2,982		3,527
			$ 8,171		$ 8,945

(1) The note was amended to extend the maturity date and restructure the monthly payment amount subsequent to September 30, 2018. See Note 14 for more information.

(2) The $1,100 note with D'Iberville Promenade, LLC, with a maturity date of December 2016, is in default.

Note 9 – Segment Information

The Company measures performance and allocates resources according to property type, which is determined based on certain criteria such as type of tenants, capital requirements, economic risks, leasing terms, and short and long-term returns on capital. Rental income and tenant reimbursements from tenant leases provide the majority of revenues from all segments.

The Company's segment information for the three and nine months ended September 30, 2017 has been retrospectively revised from previously reported amounts to reflect a change in our reportable segments. The Company no longer separately presents quantitatively and qualitatively insignificant reportable segments. Malls represents the Company's only reportable segment and the All Other category is not significant.

Table of Contents

Information on the Company's segments is presented as follows:

Three Months Ended September 30, 2018	Malls	All Other (1)	Total
Revenues (2)	$188,440	$18,438	$206,878
Property operating expenses (3)	(57,243)	(3,669)	(60,912)
Interest expense	(24,665)	(30,529)	(55,194)
Other expense	—	(38)	(38)
Gain on sales of real estate assets	92	7,788	7,880
Segment profit (loss)	$106,624	$(8,010)	98,614
Depreciation and amortization expense			(71,945)
General and administrative expense			(16,051)
Interest and other income			283
Loss on impairment			(14,600)
Income tax provision			(1,034)
Equity in earnings of unconsolidated affiliates			1,762
Net loss			$(2,971)
Capital expenditures (4)	$38,512	$2,671	$41,183

Three Months Ended September 30, 2017	Malls	All Other (1)	Total
Revenues (2)	$205,020	$19,630	$224,650
Property operating expenses (3)	(59,602)	(4,520)	(64,122)
Interest expense	(28,922)	(24,991)	(53,913)
Other expense	—	(132)	(132)
Gain (loss) on sales of real estate assets	(1,994)	3,377	1,383
Segment profit (loss)	$114,502	$(6,636)	107,866
Depreciation and amortization expense			(71,732)
General and administrative expense			(13,568)
Interest and other income (loss)			(200)
Gain on extinguishment of debt			6,452
Loss on impairment			(24,935)
Loss on investment			(354)
Income tax benefit			1,064
Equity in earnings of unconsolidated affiliates			4,706
Net income			$9,299
Capital expenditures (4)	$47,246	$1,035	$48,281

Nine Months Ended September 30, 2018	Malls	All Other (1)	Total
Revenues (2)	$585,097	$56,579	$641,676
Property operating expenses (3)	(179,012)	(11,795)	(190,807)
Interest expense	(76,401)	(86,763)	(163,164)
Other expense	(84)	(293)	(377)
Gain on sales of real estate assets	92	15,906	15,998
Segment profit (loss)	$329,692	$(26,366)	303,326
Depreciation and amortization expense			(217,261)

General and administrative expense	(47,845)

31

Table of Contents

Nine Months Ended September 30, 2018	Malls	All Other (1)	Total
Interest and other income			714
Loss on impairment			(84,644)
Gain on investment			387
Income tax benefit			1,846
Equity in earnings of unconsolidated affiliates			9,869
Net loss			$(33,608)
Capital expenditures (4)	$105,593	$10,063	$115,656

Nine Months Ended September 30, 2017	Malls	All Other (1)	Total
Revenues (2)	$632,830	$59,066	$691,896
Property operating expenses (3)	(182,926)	(11,989)	(194,915)
Interest expense	(93,481)	(71,698)	(165,179)
Other expense	—	(5,151)	(5,151)
Gain on sales of real estate assets	75,434	11,470	86,904
Segment profit (loss)	$431,857	$(18,302)	413,555
Depreciation and amortization expense			(225,461)
General and administrative expense			(45,402)
Interest and other income			1,235
Gain on extinguishment of debt			30,927
Loss on impairment			(71,401)
Loss on investment			(6,197)
Income tax benefit			4,784
Equity in earnings of unconsolidated affiliates			16,404
Net income			$118,444
Capital expenditures (4)	$126,290	$5,588	$131,878

Total Assets	Malls	All Other (1)	Total
September 30, 2018	$4,979,583	$511,436	$5,491,019
December 31, 2017	$5,152,789	$552,019	$5,704,808

(1) The All Other category includes associated centers, community centers, mortgage and other notes receivable, office buildings, self-storage facilities and the Management Company.
(2) Management, development and leasing fees are included in the All Other category. See Note 3 for information on the Company's revenues disaggregated by revenue source for each of the above segments.
(3) Property operating expenses include property operating, real estate taxes and maintenance and repairs.
(4) Amounts include acquisitions of real estate assets and investments in unconsolidated affiliates. Developments in progress are included in the All Other category.

Note 10 – Earnings per Share and Earnings per Unit

Earnings per Share of the Company

Basic earnings per share ("EPS") is computed by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their noncontrolling interests in the Operating Partnership into shares of common stock are not dilutive.

32

Table of Contents

Due to a net loss for the nine month period ended September 30, 2018, the computation of diluted EPS does not include contingently issuable shares due to their anti-dilutive nature. Had the Company reported net income for the nine months ended September 30, 2018, the denominator for diluted EPS would have been 172,563,094, including 137,094 contingently issuable shares related to performance stock unit ("PSU") awards.

Earnings per Unit of the Operating Partnership

Basic earnings per unit (“EPU”) is computed by dividing net income (loss) attributable to common unitholders by the weighted-average number of common units outstanding for the period. Diluted EPU assumes the issuance of common units for all potential dilutive common units outstanding.

Due to a net loss for the nine month period ended September 30, 2018, the computation of diluted EPU does not include contingently issuable units due to their anti-dilutive nature. Had the Operating Partnership reported net income for the nine months ended September 30, 2018, the denominator for diluted EPU would have been 199,767,094, including 137,094 contingently issuable units related to PSU awards.

Note 11 – Contingencies

Litigation

The Company is currently involved in certain litigation that arises in the ordinary course of business, most of which is expected to be covered by liability insurance. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters using the latest information available. The Company records a liability for litigation if an unfavorable outcome is probable and the amount of loss or range of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, the Company accrues the best estimate within the range. If no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated loss is material, the Company discloses the nature and estimate of the possible loss of the litigation. Based on current expectations, such matters, both individually and in the aggregate, are not expected to have a material adverse effect on the liquidity, results of operations, business or financial condition of the Company.

Environmental Contingencies

The Company evaluates potential loss contingencies related to environmental matters using the same criteria described above related to litigation matters. Based on current information, an unfavorable outcome concerning such environmental matters, both individually and in the aggregate, is considered to be reasonably possible. However, the Company believes its maximum potential exposure to loss would not be material to its results of operations or financial condition.

The Company has a master insurance policy that provides coverage through 2022 for certain environmental claims up to $10,000 per occurrence and up to $50,000 in the aggregate, subject to deductibles and certain exclusions. At certain locations, individual policies are in place.

Guarantees

The Operating Partnership may guarantee the debt of a joint venture primarily because it allows the joint venture to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the joint venture on its investment, and a higher return on the Operating Partnership’s investment in the joint venture.

The Operating Partnership may receive a fee from the joint venture for providing the guaranty. Additionally, when the Operating Partnership issues a guaranty, the terms of the joint venture agreement typically provide that the Operating Partnership may receive indemnification from the joint venture partner or have the ability to increase its ownership interest. The guarantees expire upon repayment of the debt, unless noted otherwise.

Table of Contents

The following table represents the Operating Partnership's guarantees of unconsolidated affiliates' debt as reflected in the accompanying condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017:

	As of September 30, 2018					Obligation Recorded to Reflect Guaranty	
Unconsolidated Affiliate	Company's Ownership Interest	Outstanding Balance	Percentage Guaranteed by the Operating Partnership	Maximum Guaranteed Amount	Debt Maturity Date (1)	9/30/2018	12/31/2017
West Melbourne I, LLC - Phase I (2)	50%	$ 41,737	50 % (3)	$ 20,869	Feb-2021 (3)	$209	$ 86
West Melbourne I, LLC - Phase II (2)	50%	16,097	50 % (3)	8,049	Feb-2021 (3)	80	33
Port Orange I, LLC	50%	56,366	50 % (3)	28,183	Feb-2021 (3)	282	116
Ambassador Infrastructure, LLC	65%	10,605	100%	10,605	Aug-2020	106	177
Shoppes at Eagle Point, LLC	50%	32,679	100% (4)	36,400	Oct-2020 (5)	364	364
EastGate Storage, LLC	50%	4,162	100% (6)	6,500	Dec-2022	65	65
Self Storage at Mid Rivers, LLC (7)	50%	2,021	100%	5,987	Apr-2023	60	—
			Total guaranty liability			$1,166	$ 841

(1) Excludes any extension options.
(2) The loan is secured by Hammock Landing - Phase I and Hammock Landing - Phase II, respectively.
(3) The loan was amended in May 2018 to extend the maturity date and increase the guaranty from 20%. The loan has two one-year extension options for an outside maturity date of February 2023. See Note 6 for more information.
(4) The guaranty will be reduced to 35% once construction is complete.
(5) The loan has one two-year extension option, at the joint venture's election, for an outside maturity date of October 2022.
(6) Once construction is complete, the guaranty will be reduced to 50%. The guaranty will be further reduced to 25% once certain debt and operational metrics are met.
(7) The Company received a 1% fee for the guaranty when the loan was issued in April 2018. The guaranty will be reduced to 50% once construction is complete. The guaranty will be further reduced to 25% once certain debt and operational metrics are met. See Note 6 for additional information.

The Company has guaranteed the lease performance of York Town Center, LP ("YTC"), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that owns property as part of York Town Center. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC's performance under this agreement up to a maximum of $22,000, which decreases by $800 annually until the guaranteed amount is reduced to $10,000. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $13,200 as of September 30, 2018. The Company entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts it is obligated to fund under the guaranty. The Company did not include an obligation for this guaranty because it determined that the fair value of the guaranty was not material as of September 30, 2018 and December 31, 2017.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. The total amount outstanding on these bonds was $17,309 and $16,998 at September 30, 2018 and December 31, 2017, respectively.

Note 12 – Share-Based Compensation

As of September 30, 2018, the Company has outstanding awards under the CBL & Associates Properties, Inc. 2012 Stock Incentive Plan ("the 2012 Plan"), which was approved by the Company's shareholders in May 2012. The 2012 Plan permits the Company to issue stock options and common stock to selected officers, employees and non-employee directors of the Company up to a total of 10,400,000 shares. As the primary operating subsidiary of the

Table of Contents

Company, the Operating Partnership participates in and bears the compensation expense associated with the Company's share-based compensation plan.

Restricted Stock Awards

The Company may make restricted stock awards to independent directors, officers and its employees under the 2012 Plan. These awards are generally granted based on the performance of the Company and its employees. None of these awards have performance requirements other than a service condition of continued employment, unless otherwise provided. Compensation expense is recognized on a straight-line basis over the requisite service period.

Share-based compensation expense related to the restricted stock awards was $787 and $812 for the three months ended September 30, 2018 and 2017, respectively, and $3,263 and $3,175 for the nine months ended September 30, 2018 and 2017, respectively. Share-based compensation cost capitalized as part of real estate assets was $36 and $94 for the three months ended September 30, 2018 and 2017, respectively, and $260 and $308 for the nine months ended September 30, 2018 and 2017, respectively.

A summary of the status of the Company’s nonvested restricted stock awards as of September 30, 2018, and changes during the nine months ended September 30, 2018, is presented below: