

PRICE LEGACY CORP
Form 10-Q
August 09, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended June 30, 2004

Commission File Number 0-20449

PRICE LEGACY CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

33-0628740
(I.R.S. Employer
Identification No.)

17140 Bernardo Center Drive, Suite 300, San Diego, California 92128

(Address of principal executive offices) (Zip Code)

(858) 675-9400

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The registrant had 36,919,539 shares of common stock, par value \$.0004 per share, outstanding at August 6, 2004.

PRICE LEGACY CORPORATION

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PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS**

PRICE LEGACY CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

ASSETS

	June 30 2004 (unaudited)	December 31 2003
Real estate assets		
Land and land improvements	\$ 385,569	\$ 410,207
Building and improvements	677,668	670,050
Construction in progress	2,919	582
	1,066,156	1,080,839
Property held for sale	50,474	70,988
Less accumulated depreciation	(62,339)	(54,836)
	1,054,291	1,096,991
Investment in unconsolidated real estate joint ventures		4,113
Cash and cash equivalents	29,226	7,631
Restricted cash	9,742	11,288
Accounts receivable, net of allowance of \$843 and \$1,415	8,857	7,440
Notes receivable	9,086	10,311
Deferred rents	11,702	11,161
Other assets	19,468	21,953
Total assets	\$ 1,142,372	\$ 1,170,888

See accompanying notes.

PRICE LEGACY CORPORATION
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30 2004 (unaudited)	December 31 2003
Liabilities		
Mortgages and notes payable	\$ 541,673	\$ 483,675
Capital lease payable on property held for sale		11,706
Revolving line of credit		69,100
	541,673	564,481
Accounts payable and other liabilities	24,711	29,945
Total liabilities	566,384	594,426
Commitments and contingencies		
Minority interests	595	1,608
Stockholders' equity		
Series A Preferred Stock, cumulative, redeemable, \$0.0001 par value, 27,849,771 shares authorized, 5,486,994 and 27,434,166 shares issued and outstanding	79,981	399,615
Series 1 Preferred Stock, cumulative, redeemable, \$0.0001 par value, 15,218,506 shares authorized, 2,942,463 shares issued and outstanding at June 30, 2004	47,227	
Series B Preferred Stock, junior, convertible, redeemable, \$0.0001 par value, 27,458,855 shares authorized, 24,125,208 shares issued and outstanding at December 31, 2003		131,023
Common stock, \$0.0004 par value, 106,931,723 shares authorized, 36,919,539 issued and outstanding at June 30, 2004; \$0.0001 par value, 94,691,374 shares authorized, 8,690,414 issued and outstanding at December 31, 2003	15	3
Additional paid-in capital	648,999	176,431
Accumulated comprehensive loss	(2,433)	(1,479)
Retained deficit	(198,396)	(130,739)
Total stockholders' equity	575,393	574,854
Total liabilities and stockholders' equity	\$ 1,142,372	\$ 1,170,888

See accompanying notes.

PRICE LEGACY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited - amounts in thousands, except per share data)

	Second Quarter Three Months Ended June 30		Year-to-Date Six Months Ended June 30	
	2004	2003	2004	2003
Rental revenues	\$ 33,121	\$ 31,313	\$ 65,016	\$ 62,245
Expenses				
Operating and maintenance	5,758	6,637	11,596	12,639
Property taxes	4,097	3,829	8,122	7,493
Depreciation and amortization	5,547	5,617	11,160	9,759
General and administrative	1,377	1,827	2,862	3,809
Provision for asset impairment	1,225		1,225	
Total expenses	18,004	17,910	34,965	33,700
Operating income	15,117	13,403	30,051	28,545
Interest and other				
Interest expense	(7,054)	(6,514)	(13,965)	(12,980)
Interest income	63	113	108	925
Equity in earnings of joint ventures		1,014	62	1,164
Total interest and other	(6,991)	(5,387)	(13,795)	(10,891)
Income from continuing operations	8,126	8,016	16,256	17,654
Discontinued operations:				
Income from operations	241	442	460	713
Net gain (loss) on sale of real estate	2,193	(2,314)	2,193	(2,521)
Gain (loss) on discontinued operations	2,434	(1,872)	2,653	(1,808)
Net income before gain on sale of real estate and investments	10,560	6,144	18,909	15,846
Net gain on sale of real estate and investments	12,666		12,622	687
Net income	23,226	6,144	31,531	16,533
Dividends to preferred stockholders	(2,886)	(12,423)	(14,700)	(24,783)
Preferred stock conversion and redemption	(1,423)		(74,235)	
Net income (loss) applicable to common stockholders	\$ 18,917	\$ (6,279)	\$ (57,404)	\$ (8,250)
Net income (loss) per common share				
Basic	\$.52	\$ (.68)	\$ (2.29)	\$ (.89)
Diluted	.51	(.68)	(2.29)	(.89)
Weighted average common shares outstanding				
Basic	36,567	9,250	25,118	9,253

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Diluted		36,987		9,250		25,118		9,253
Cash dividends paid per Series A preferred share	\$.35	\$.35	\$.70	\$.70
Cash dividends paid per Series I preferred share		.16				.16		
Cash dividends paid per common share		.28				.28		

See accompanying notes.

PRICE LEGACY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(unaudited amounts in thousands)

	Preferred Stock Series A		Preferred Stock Series 1		Preferred Stock Series B		Common Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares*	Amount
Balance at December 31, 2003	27,434	\$ 399,615			24,125	\$ 131,023	8,690	\$ 3
Comprehensive income:								
Net income								
Unrealized loss on marketable securities								
Unrealized loss on interest rate caps								
Total comprehensive income								
Dividends on Series A Preferred Stock								
Dividends on Series B Preferred Stock					398	2,212		
Dividends on Series 1 Preferred Stock								
Dividends on common stock								
Common stock issued in legal settlement							160	
Common stock and Series 1 Preferred Stock issued in exchange for Series A Preferred Stock	(20,947)	(305,058)	2,942	47,227			18,900	8
Common stock issued in exchange for Series B Preferred Stock					(24,523)	(133,235)	8,522	4
Issuance costs associated with Recapitalization Transaction								
Common stock options exercised							648	
Redemption of Series A Preferred Stock	(1,000)	(14,576)						
Balance at June 30, 2004	5,487	\$ 79,981	2,942	\$ 47,227			36,920	\$ 15

	Additional Paid-In Capital	Accumulated Comprehensive Loss	Retained Earnings (Deficit)	Total
Balance at December 31, 2003	\$ 176,431	\$ (1,479)	\$ (130,739)	\$ 574,854
Comprehensive income:				
Net income			31,531	31,531

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Unrealized loss on marketable securities		(15)		(15)
Unrealized loss on interest rate caps		(939)		(939)
Total comprehensive income				30,577
Dividends on Series A Preferred Stock			(12,017)	(12,017)
Dividends on Series B Preferred Stock			(2,212)	
Dividends on Series 1 Preferred Stock			(471)	(471)
Dividends on common stock			(10,252)	(10,252)
Common stock issued in legal settlement	2,099			2,099
Common stock and Series 1 Preferred Stock issued in exchange for Series A Preferred Stock	293,337		(35,519)	(5)
Common stock issued in exchange for Series B Preferred Stock	170,524		(37,293)	
Issuance costs associated with Recapitalization Transaction	(1,500)			(1,500)
Common stock options exercised	8,108			8,108
Redemption of Series A Preferred Stock			(1,424)	(16,000)
Balance at June 30, 2004	\$ 648,999	\$ (2,433)	\$ (198,396)	\$ 575,393

**Retroactively restated for 1-for-4 reverse stock split*

See accompanying notes.

PRICE LEGACY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - amounts in thousands)

	Year to Date Six Months Ended June 30	
	2004	2003
Operating activities		