PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form 10-Q
November 08, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the quarterly period ended September 30, 2006**

**or**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from ____________________ to ___________________**

**Commission File Number: 1-6300**

**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Pennsylvania**<br>(State or other jurisdiction of incorporation or organization) | **23-6216339**<br>(I.R.S. Employer Identification No.) |
| **200 South Broad Street**<br>**Philadelphia, PA**<br>(Address of principal executive offices) | **19102**<br>(Zip Code) |

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

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

Common shares of beneficial interest, $1.00 par value per share, outstanding at November 6, 2006: 36,875,609

**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

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**Part I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amounts)

(Unaudited)

| | September 30, 2006 | December 31, 2005 |
|---|---|---|
| ASSETS: | | |
| INVESTMENTS IN REAL ESTATE, at cost: | | |
| Operating properties | $ 2,860,761 | $ 2,807,575 |
| Construction in progress | 192,190 | 55,368 |
| Land held for development | 5,616 | 5,616 |
| Total investments in real estate | 3,058,567 | 2,868,559 |
| Accumulated depreciation | (283,321 ) | (220,788 ) |
| Net investments in real estate | 2,775,246 | 2,647,771 |
| INVESTMENTS IN PARTNERSHIPS, at equity | 39,447 | 41,536 |
| OTHER ASSETS: | | |
| Cash and cash equivalents | 17,134 | 21,642 |
| Rents and other receivables (net of allowance for doubtful accounts of $11,797 and $10,671 at September 30, 2006 and December 31, 2005, respectively) | 41,285 | 46,492 |
| Intangible assets (net of accumulated amortization of $100,416 and $72,308 at September 30, 2006 and December 31, 2005, respectively) | 145,969 | 173,594 |
| Deferred costs and other assets, net | 77,383 | 69,792 |
| Assets held for sale | 1,551 | 17,720 |
| Total assets | $ 3,098,015 | $ 3,018,547 |
| LIABILITIES: | | |
| Mortgage notes payable | $ 1,578,598 | $ 1,332,066 |
| Debt premium on mortgage notes payable | 29,988 | 40,066 |
| Credit Facility | 277,000 | 342,500 |
| Corporate notes payable | | 94,400 |
| Tenants deposits and deferred rents | 12,894 | 13,298 |
| Distributions in excess of partnership investments | 64,971 | 13,353 |
| Accrued expenses and other liabilities | 100,060 | 69,435 |
| Liabilities related to assets held for sale | 48 | 18,233 |

| | | |
|---|---|---|
| Total liabilities | 2,063,559 | 1,923,351 |
| MINORITY INTEREST: | 103,671 | 118,320 |
| COMMITMENTS AND CONTINGENCIES (Note 9) | | |
| SHAREHOLDERS EQUITY: | | |
| Shares of beneficial interest, $1.00 par value per share; 100,000 shares authorized; issued and outstanding 36,865 shares at September 30, 2006 and 36,521 shares at December 31, 2005 | 36,865 | 36,521 |
| Non-convertible senior preferred shares, 11% cumulative, $.01 par value per share; 2,475 shares authorized, issued and outstanding at September 30, 2006 and December 31, 2005 | 25 | 25 |
| Capital contributed in excess of par | 913,185 | 899,439 |
| Accumulated other comprehensive income | 8,145 | 4,377 |
| (Distributions in excess of net income) retained earnings | (27,435 ) | 36,514 |
| Total shareholders equity | 930,785 | 976,876 |
| Total liabilities, minority interest and shareholders equity | $ 3,098,015 | $ 3,018,547 |

See accompanying notes to the unaudited consolidated financial statements.

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**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED STATEMENTS OF INCOME**

(in thousands of dollars)

(Unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| REVENUE: | | | | |
| Real estate revenues: | | | | |
| Base rent | $ 71,353 | $ 67,729 | $ 213,064 | $ 200,717 |
| Expense reimbursements | 34,394 | 32,299 | 100,973 | 93,614 |
| Percentage rent | 1,438 | 1,455 | 5,202 | 5,959 |
| Lease termination revenue | 439 | 176 | 2,583 | 1,265 |
| Other real estate revenues | 4,503 | 3,275 | 12,491 | 9,393 |
| Total real estate revenues | 112,127 | 104,934 | 334,313 | 310,948 |
| Management company revenue | 666 | 521 | 2,324 | 2,043 |
| Interest and other income | 566 | 293 | 1,452 | 738 |
| Total revenues | 113,359 | 105,748 | 338,089 | 313,729 |
| EXPENSES: | | | | |
| Property operating expenses: | | | | |
| CAM and real estate taxes | (31,842) | (28,734) | (93,753) | (85,094) |
| Utilities | (7,137) | (6,897) | (18,734) | (18,093) |
| Other operating expenses | (6,748) | (5,898) | (19,200) | (16,286) |
| Total property operating expenses | (45,727) | (41,529) | (131,687) | (119,473) |
| Depreciation and amortization | (31,118) | (27,550) | (94,839) | (80,801) |
| Other expenses: | | | | |
| General and administrative expenses | (9,668) | (8,412) | (30,187) | (27,833) |
| Executive separation | | | (3,985) | |
| Income taxes | (142) | (78) | (383) | (519) |
| Total other expenses | (9,810) | (8,490) | (34,555) | (28,352) |
| Interest expense: | | | | |
| Interest expense | (24,341) | (21,056) | (73,234) | (61,118) |
| Prepayment penalty | | (803) | | (803) |
| Total interest expense | (24,341) | (21,859) | (73,234) | (61,921) |

| | | | | |
|---|---|---|---|---|
| Total expenses | (110,996) | (99,428) | (334,315) | (290,547) |
| Income before equity in income of partnerships, gains on sales of interests in real estate, minority interest and discontinued operations | 2,363 | 6,320 | 3,774 | 23,182 |
| Equity in income of partnerships | 1,044 | 1,808 | 4,075 | 5,426 |
| Gains on sales of interests in real estate | | 5,024 | | 5,661 |
| Gains on sales of non-operating real estate | 166 | 3,000 | 381 | 3,060 |
| Income before minority interest and discontinued operations | 3,573 | 16,152 | 8,230 | 37,329 |
| Minority interest | (384) | (1,818) | (927) | (4,308) |
| Income from continuing operations | 3,189 | 14,334 | 7,303 | 33,021 |
| Discontinued operations: | | | | |
| Operating results from discontinued operations | 93 | 272 | 527 | 2,088 |
| Gains on sales of discontinued operations | 1,414 | 3,736 | 1,414 | 3,736 |
| Minority interest | (152) | (447) | (196) | (655) |
| Income from discontinued operations | 1,355 | 3,561 | 1,745 | 5,169 |
| Net income | 4,544 | 17,895 | 9,048 | 38,190 |
| Dividends on preferred shares | (3,403) | (3,403) | (10,209) | (10,209) |
| Net income available (loss allocable) to common shareholders | $ 1,141 | $ 14,492 | $ (1,161) | $ 27,981 |

See accompanying notes to the unaudited consolidated financial statements.

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**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**EARNINGS (LOSS) PER SHARE**

(in thousands, except per share amounts)

(Unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Income from continuing operations | $3,189 | $14,334 | $7,303 | $33,021 |
| Dividends on preferred shares | (3,403) | (3,403) | (10,209) | (10,209) |
| Income (loss) from continuing operations available (allocable) to common shareholders | (214) | 10,931 | (2,906) | 22,812 |
| Dividends on unvested restricted shares | (247) | (265) | (796) | (770) |
| Income (loss) from continuing operations used to calculate earnings per share | (461) | 10,666 | (3,702) | 22,042 |
| Minority interest in properties continuing operations | | 42 | | 127 |
| Income (loss) from continuing operations used to calculate earnings per share - diluted | $(461) | $10,708 | $(3,702) | $22,169 |
| Income from discontinued operations | $1,355 | $3,561 | $1,745 | $5,169 |
| Basic earnings (loss) per share: | | | | |
| Income (loss) from continuing operations | $(0.01) | $0.29 | $(0.10) | $0.61 |
| Income from discontinued operations | 0.03 | 0.10 | 0.05 | 0.14 |
| | $0.02 | $0.39 | $(0.05) | $0.75 |
| Diluted earnings (loss) per share: | | | | |
| Income (loss) from continuing operations | $(0.01) | $0.29 | $(0.10) | $0.60 |
| Income from discontinued operations | 0.03 | 0.10 | 0.05 | 0.14 |
| | $0.02 | $0.39 | $(0.05) | $0.74 |
| Weighted-average shares outstanding basic | 36,282 | 36,149 | 36,189 | 36,049 |
| Effect of common share equivalents | (1) | 697 | (1) | 675 |
| Weighted-average shares outstanding diluted | 36,282 | 36,846 | 36,189 | 36,724 |

(1) For the three and nine months ended September 30, 2006, there is a loss from continuing operations used to calculate earnings per share. The effect of common share equivalents would be antidilutive, therefore there is no impact of common share equivalents on the calculation of diluted loss per share for the three and nine months ended September 30, 2006.

See accompanying notes to the unaudited consolidated financial statements.

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**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands of dollars)

(Unaudited)

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | **2006** | **2005** |
| Cash Flows from Operating Activities: | | |
| Net income | $9,048 | $38,190 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 68,132 | 58,280 |
| Amortization | 17,750 | 10,130 |
| Straight-line rent adjustments | (2,119) | (3,183) |
| Provision for doubtful accounts | 2,669 | 2,336 |
| Amortization of deferred compensation | 4,657 | 2,385 |
| Minority interest | 1,123 | 4,963 |
| Gains on sales of interests in real estate | (1,794) | (12,457) |
| Change in assets and liabilities: | | |
| Net change in other assets | 1,160 | (3,367) |
| Net change in other liabilities | 8,435 | (1,299) |
| Net cash provided by operating activities | 109,061 | 95,978 |
| Cash Flows from Investing Activities: | | |
| Investments in consolidated real estate acquisitions, net of cash acquired | (34,969) | (64,855) |
| Investments in consolidated real estate improvements | (25,006) | (28,509) |
| Additions to construction in progress | (102,196) | (46,112) |
| Investments in partnerships | (1,519) | (622) |
| Increase in cash escrows | (961) | (1,149) |
| Capitalized leasing costs | (3,458) | (2,563) |
| Additions to leasehold improvements | (570) | (2,725) |
| Cash distributions from partnerships in excess of equity in income | 55,454 | 1,360 |
| Cash proceeds from sales of interests in partnerships | | 4,282 |
| Cash proceeds from sales of consolidated real estate investments | 9,039 | 3,940 |
| Net cash used in investing activities | (104,186) | (136,953) |
| Cash Flows from Financing Activities: | | |
| Principal installments on mortgage notes payable | (17,083) | (14,008) |

| | | |
|---|---|---|
| Proceeds from mortgage notes payable | 246,500 | 266,000 |
| Prepayment penalty on repayment of mortgage notes payable | | (803) |
| Repayment of mortgage notes payable | | (147,529) |
| Repayment of corporate notes payable | (94,400) | |
| Net (repayment of) borrowing from Credit Facility | (65,500) | 5,000 |
| Payment of deferred financing costs | (1,358) | (1,675) |
| Shares of beneficial interest issued | 4,940 | 5,165 |
| Shares of beneficial interest repurchased | (2,545) | (3,048) |
| Operating partnership units redeemed | (352) | |
| Distributions paid to common shareholders | (62,789) | (61,370) |
| Distributions paid to preferred shareholders | (10,209) | (10,209) |
| Distributions paid to OP Unitholders and minority partners | (6,587) | (7,638) |
| Net cash (used in) provided by financing activities | (9,383) | 29,885 |
| Net change in cash and cash equivalents | (4,508) | (11,090) |
| Cash and cash equivalents, beginning of period | 21,642 | 40,044 |
| Cash and cash equivalents, end of period | $17,134 | $28,954 |

See accompanying notes to the unaudited consolidated financial statements.

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**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2006**

**(Unaudited)**

**1. BASIS OF PRESENTATION:**

Pennsylvania Real Estate Investment Trust ( PREIT or the Company ) prepared the consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ( GAAP ) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading. The consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in PREIT s Annual Report on Form 10-K for the year ended December 31, 2005. In management s opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company and its subsidiaries and the consolidated results of its operations and its cash flows are included. The results of operations for the interim periods presented are not necessarily indicative of the results for the full year.

Pennsylvania Real Estate Investment Trust, a Pennsylvania business trust founded in 1960 and one of the first equity real estate investment trusts ( REITs ) in the United States, has a primary investment focus on retail shopping malls and power and strip centers located in the Mid-Atlantic region or in the eastern part of the United States. As of September 30, 2006, the Company s operating portfolio consisted of a total of 51 properties. The retail portion of the Company s portfolio contains 50 properties in 13 states and includes 39 shopping malls and 11 power and strip centers. The Company also owns one office property acquired as part of a mall acquisition that is classified as held for sale.

The Company s primary business is owning and operating shopping malls and power and strip centers. The Company evaluates operating results and allocates resources on a property-by-property basis and does not distinguish or evaluate its consolidated operations on a geographic basis. No individual property constitutes more than 10% of the Company s consolidated revenues or assets, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to the nature of the centers, the tenants and operational processes, as well as long-term financial performance. In addition, no single tenant accounts for 10% or more of the Company s consolidated revenue, and none of the shopping centers are located outside the United States.

The Company s interests in its properties are held through PREIT Associates, L.P. (the Operating Partnership ). The Company is the sole general partner of the Operating Partnership, and, as of September 30, 2006, the Company held a 90.3% interest in the Operating Partnership, and consolidated it for financial reporting purposes. The presentation of consolidated financial statements does not itself imply that the assets of any consolidated entity (including any special-purpose entity formed for a particular project) are available to pay the liabilities of any other consolidated entity, or that the liabilities of any consolidated entity (including any special-purpose entity formed for a particular project) are obligations of any other consolidated entity.

Pursuant to the terms of the partnership agreement of the Operating Partnership, each of the other limited partners of the Operating Partnership has the right to redeem his/her units of limited partnership interest in the Operating Partnership ( OP Units ) for cash or, at the election of the Company, the Company may acquire such OP Units for shares of the Company on a one-for-one basis, in some cases beginning one year following the respective issue date of the OP Units, and in other cases immediately.

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The Company provides its management, leasing and real estate development services through two companies: PREIT Services, LLC ( PREIT Services ), which generally develops and manages properties that the Company consolidates for financial reporting purposes, and PREIT-RUBIN, Inc. ( PRI ), which develops and manages properties that the Company does not consolidate for financial reporting purposes, including properties owned by partnerships in which the Company owns an interest. PREIT Services and PRI are consolidated. Because PRI is a taxable REIT subsidiary as defined by federal tax laws, it is capable of offering a broad range of services to tenants without jeopardizing the Company s continued qualification as a REIT under federal tax law.

Certain prior period amounts have been reclassified to conform with the current period presentation.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS:

### SFAS No. 157

In September 2006, the FASB issued Statement of Financial Accounting Standards No.157, Fair Value Measurements ( SFAS No.157 ). SFAS No.157 establishes a new definition of fair value, provides guidance on how to measure fair value and establishes new disclosure requirements of assets and liabilities at their fair value measurements. SFAS No.157 is effective for fiscal years beginning after November 15, 2007. The Company has not determined whether the adoption of SFAS No. 157 will have any material effect on the Company s financial statements.

### SAB 108

In September 2006, the SEC s staff issued Staff Accounting Bulletin ( SAB ) No. 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. This Bulletin provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The guidance in SAB No. 108 must be applied to financial reports covering the first fiscal year ending after November 15, 2006. The Company is currently evaluating the guidance in this Bulletin.

### FIN 48

In June 2006, the FASB issued FASB Interpretation No.48, Accounting for Uncertainty in Income Taxes ( FIN 48 ). FIN 48 addresses the recognition and measurement of tax-based benefits on the probability that they will be realized. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has not determined whether the adoption of FIN 48 will have any material effect on the Company s financial statements.

### SFAS No. 123(R) and SAB No. 107

In December 2004, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 123(R), Share-Based Payment ( SFAS No. 123(R) ), which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share-based payments, which was permitted under SFAS No. 123, is no longer an alternative. As originally issued by the FASB, SFAS No. 123(R) was effective for all stock-based awards granted on or after July 1, 2005. In addition, companies must also recognize compensation expense related to any awards that were not fully vested as of July 1, 2005. In March 2005, the Securities and Exchange Commission ( SEC ) released Staff Accounting Bulletin No. 107 ( SAB No. 107 ), which provides guidance related to share-based payment arrangements for reporting companies. Also in March 2005, the SEC permitted reporting companies, and the Company elected, to defer adoption of SFAS No. 123(R) until the beginning of their next fiscal year, which, for the Company, was January 1, 2006. Compensation expense for the unvested awards is measured based on the fair value of such awards previously calculated in connection with the development of the prior pro forma disclosures in accordance with the provisions of SFAS No. 123. The impact of the Company s adoption of SFAS No. 123(R) was not material.

**3. REAL ESTATE ACTIVITIES:**

Investments in real estate as of September 30, 2006 and December 31, 2005 were comprised of the following:

| **(in thousands of dollars)** | **September 30, 2006** | **December 31, 2005** |
|---|---|---|
| Buildings, improvements and construction in progress | $2,525,434 | $2,401,191 |
| Land, including land held for development | 533,133 | 467,368 |
| Total investments in real estate | 3,058,567 | 2,868,559 |
| Accumulated depreciation | (283,321) | (220,788) |
| Net investments in real estate | $2,775,246 | $2,647,771 |

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**Acquisitions**

The Company records its acquisitions based on estimates of fair value as determined by management, based on available information and on assumptions of future performance. These allocations are subject to revisions, in accordance with GAAP, during the twelve-month periods following the closings of the acquisitions.

In December 2005, the Company acquired Woodland Mall in Grand Rapids, Michigan, for $177.4 million. The Company funded the purchase price with two 90-day corporate notes totaling $94.4 million having a weighted average interest rate of 6.85% and secured by letters of credit, $80.5 million from its Credit Facility, and the remainder from its available working capital. These notes were subsequently repaid. Of the purchase price amount, $6.1 million was allocated to the value of in-place leases, $6.4 million was allocated to above-market leases and $6.5 million was allocated to below-market leases.

In March 2005, the Company acquired Gadsden Mall in Gadsden, Alabama, for $58.8 million. The Company funded the purchase price from its Credit Facility. Of the purchase price amount, $7.8 million was allocated to the value of in-place leases, $0.1 million was allocated to above-market leases and $0.3 million was allocated to below-market leases. The acquisition included the nearby P&S Office Building, an office building that the Company considers to be non-strategic, and which the Company has classified as held for sale for financial reporting purposes.

In February 2005, the Company purchased the Cumberland Mall in Vineland, New Jersey and a vacant parcel adjacent to the mall. The total price paid for the mall and the adjacent parcel was $59.5 million, including the assumption of $47.7 million in mortgage debt. The Company paid the $0.9 million purchase price of the adjacent parcel in cash, and the Company paid the remaining portion of the purchase price using 272,859 OP Units, which were valued at $11.0 million, based on the average of the closing price of the Company s common shares on the ten consecutive trading days immediately before the closing date of the transaction. Of the purchase price amount, $8.7 million was allocated to the value of in-place leases, $0.2 million was allocated to above-market leases and $0.3 million was allocated to below-market leases. The Company also recorded a debt premium of $2.7 million in order to record Cumberland Mall s mortgage at fair value.

**Dispositions**

In September 2006, the Company sold South Blanding Village, a strip center in Jacksonville, Florida, for $7.5 million. The Company recorded a gain of $1.4 million from this sale.

In June 2006, the Company recorded a $0.2 million gain on the sale to Home Depot U.S.A., Inc. of a parcel located at the site of the Plaza at Magnolia in Florence, South Carolina, Plaza at Magnolia is currently under development. The parcel was subdivided from a larger tract.

In December 2005, the Company sold Festival at Exton in Exton, Pennsylvania for $20.2 million. The Company recorded a gain of $2.5 million from this sale.

In August 2005, the Company sold its four industrial properties (the Industrial Properties ) for $4.3 million. The Company recorded a gain of $3.7 million from this sale.

In May 2005, pursuant to an option granted to the tenant in a 1994 ground lease agreement, the Company sold a parcel in Northeast Tower Center in Philadelphia, Pennsylvania containing a Home Depot store to Home Depot U.S.A, Inc. for $12.5 million. The Company recorded a gain of $0.6 million from this sale.

**Discontinued Operations**

In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ( SFAS No.144 ), the Company has presented as discontinued operations the operating results of South Blanding Village, Festival at Exton, the Industrial Properties and the P&S Office Building.

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The following table summarizes revenue and expense information for the Company s discontinued operations:

| (in thousands of dollars) | For the Three Months Ended September 30, 2006 | For the Three Months Ended September 30, 2005 | For the Nine Months Ended September 30, 2006 | For the Nine Months Ended September 30, 2005 |
|---|---|---|---|---|
| Real estate revenues | $266 | $652 | $916 | $3,317 |
| Expenses: | | | | |
| Property operating expenses | (132) | (202) | (245) | (706) |
| Depreciation and amortization | (41) | (178) | (144) | (523) |
| Total expenses | (173) | (380) | (389) | (1,229) |
| Operating results from discontinued operations | 93 | 272 | 527 | 2,088 |
| Gains on sales of discontinued operations | 1,414 | 3,736 | 1,414 | 3,736 |
| Minority interest | (152) | (447) | (196) | (655) |
| Income from discontinued operations | $1,355 | $3,561 | $1,745 | $5,169 |

**Schuylkill Mall**

During the first quarter of 2006, the Company reclassified Schuylkill Mall in Frackville, Pennsylvania for accounting purposes from held for sale to continuing operations. The Company reached this decision because the previously disclosed January 2006 agreement to sell the property was terminated, and the property no longer meets the conditions for an exception to the one-year classification requirement in SFAS No. 144. The Company intends to continue to actively market Schuylkill Mall for sale, but at this time, it cannot determine if or when a sale will be consummated. For balance sheet purposes, as of March 31, 2006, the assets and liabilities of Schuylkill Mall were reclassified from assets held for sale and liabilities related to assets held for sale into the appropriate balance sheet captions. Because Schuylkill Mall was considered held for sale as of December 31, 2005, no reclassifications related to Schuylkill Mall were made as of that date. For income statement purposes, the results of operations for Schuylkill Mall are presented in continuing operations for all periods presented. In the first quarter of 2006, the Company recorded depreciation and amortization expense of $2.8 million to reflect the depreciation and amortization during all of the period that Schuylkill Mall was classified as held for sale.

**Capitalization of Costs**

Costs incurred for interest, real estate taxes and insurance that are directly related to development and redevelopment projects are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. Costs incurred for such items after the property is substantially complete and ready for its intended use are charged to expense as incurred. The Company capitalizes a portion of development department employees compensation and benefits related to time spent involved in development and redevelopment projects.

The Company capitalizes payments made to obtain options to acquire real property. All other related costs that are incurred before acquisition of a property are capitalized if the acquisition of the property or if an option to acquire the property is probable. If the property is acquired, such costs are included in the amount recorded as the initial value of the asset. Capitalized pre-acquisition costs are charged to expense when it is probable that the property will not be acquired.

The Company capitalizes salaries, commissions and benefits related to time spent by leasing and legal department personnel involved in originating leases with third-party tenants.

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The following table summarizes the Company s capitalized salaries and benefits, real estate taxes and interest for the three and nine months ended September 30, 2006 and 2005:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(in thousands of dollars)** | **2006** | **2005** | **2006** | **2005** |
| Development and redevelopment: | | | | |
| Salaries and benefits | $723 | $459 | $1,707 | $1,243 |
| Real estate taxes | $1,089 | $175 | $1,328 | $391 |
| Interest | $2,799 | $795 | $6,154 | $1,690 |
| Leasing: | | | | |
| Salaries and benefits | $1,115 | $801 | $3,458 | $2,563 |

**4. INVESTMENTS IN PARTNERSHIPS:**

The following table presents summarized financial information of the equity investments in the Company s unconsolidated partnerships as of September 30, 2006 and December 31, 2005:

| **(in thousands of dollars)** | **September 30, 2006** | **December 31, 2005** |
|---|---|---|
| ASSETS: | | |
| Investments in real estate, at cost: | | |
| Operating properties | $ 328,346 | $314,704 |
| Construction in progress | 20,158 | 2,927 |
| Total investments in real estate | 348,504 | 317,631 |
| Accumulated depreciation | (73,071 ) | (62,554 ) |
| Net investments in real estate | 275,433 | 255,077 |
| Cash and cash equivalents | 5,157 | 4,830 |
| Deferred costs, and other assets, net | 27,293 | 37,634 |
| Total assets | 307,883 | 297,541 |
| LIABILITIES AND PARTNERS EQUITY: | | |
| Mortgage notes payable | (381,667 ) | (269,000 ) |
| Other liabilities | (18,181 ) | (13,942 ) |
| Total liabilities | (399,848 ) | (282,942 ) |

| | | |
|---|---|---|
| Net equity (deficit) | (91,965 ) | 14,599 |
| Partners share | 45,491 | (7,303 ) |
| Company s share | (46,474 ) | 7,296 |
| Excess investment [1] | 14,076 | 13,701 |
| Advances | 6,874 | 7,186 |
| Net investments and advances | $ (25,524 ) | $ 28,183 |
| Investment in partnerships, at equity | $ 39,447 | $ 41,536 |
| Distributions in excess of partnership investments | (64,971 ) | (13,353 ) |
| Net investments and advances | $ (25,524 ) | $ 28,183 |

(1) Excess investment represents the unamortized difference of the Company s investment over the Company s share of the equity in the underlying net investment in the partnerships. The excess investment is amortized over the life of the properties within the partnership, and the amortization is included in Equity in income of partnerships.

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The following table summarizes the Company s share of equity in income of partnerships for the three and nine month periods ended September 30, 2006 and 2005:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(in thousands of dollars)** | **2006** | **2005** | **2006** | **2005** |
| Real estate revenues | $16,771 | $13,690 | $49,707 | $42,697 |
| Expenses: | | | | |
| Property operating expenses | (4,739) | (3,927) | (14,643) | (12,827) |
| Interest expense | (6,696) | (3,952) | (16,746) | (12,230) |
| Depreciation and amortization | (3,304) | (2,095) | (10,347) | (6,296) |
| Total expenses | (14,739) | (9,974) | (41,736) | (31,353) |
| Net income | 2,032 | 3,716 | 7,971 | 11,344 |
| Partners share | (997) | (1,842) | (3,928) | (5,714) |
| Company s share | 1,035 | 1,874 | 4,043 | 5,630 |
| Amortization of excess investment | 9 | (66) | 32 | (204) |
| Equity in income of partnerships | $1,044 | $1,808 | $4,075 | $5,426 |

**Acquisition**

In November 2005, the Company and its acquisition partner acquired Springfield Mall in Springfield, Pennsylvania, for $103.5 million. To partially finance the acquisition costs, the Company and its acquisition partner obtained a $76.5 million mortgage loan. The Company funded the remainder of its share of the purchase price with $5.0 million in borrowings from its Credit Facility. Of the purchase price amount, $2.9 million was allocated to the value of in-place leases, $0.4 million was allocated to above-market leases and $4.5 million was allocated to below-market leases.

**Dispositions**

In July 2005, the Company sold its 40% interest in Laurel Mall in Hazleton, Pennsylvania. The total sales price of the mall was $33.5 million, including assumed debt of $22.6 million. The net cash proceeds to the Company were $3.9 million. The Company recorded a gain of $5.0 million in the third quarter of 2005 from this transaction.

In July 2005, a partnership in which the Company has a 50% interest sold the property on which the Christiana Power Center Phase II project would have been built to the Delaware Department of Transportation for $17.0 million. The Company s share of the proceeds was $9.5 million, representing a reimbursement for the $5.0 million of costs and expenses it incurred previously in connection with the project and a gain on sale of non-operating real estate of $3.0 million recognized in the third quarter of 2005 and $1.5 million recognized in the fourth quarter of 2005.

**Mortgage Activity**

In July 2006, the partnership that owns Lehigh Valley Mall in Whitehall, Pennsylvania entered into a $150.0 million mortgage loan that is secured by Lehigh Valley Mall. The Company owns an indirect 50% ownership interest in this entity. The mortgage loan has an initial term of 12 months, during which monthly payments of interest only are required. There are three one-year extension options, provided that there is no event of default and that the borrower buys an interest rate cap for the term of any applicable extension. The loan bears interest at the one month LIBOR rate, reset monthly, plus a spread of 56 basis points. The initial interest rate was 5.905%. The loan may not be prepaid until August 2007. Thereafter, the loan may be prepaid in full on any monthly payment date. A portion of the proceeds of the loan were used to repay the previous first mortgage on the property, which had a balance of $44.6 million. The Company received a distribution of $51.9 million as its share of the remaining proceeds of this mortgage loan. The Company used this $51.9 million to repay a portion of the outstanding balance under the Credit Facility and for working capital.

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**5. CREDIT FACILITY:**

In March 2006, the Company entered into a second amendment to the terms of its Credit Facility. Pursuant to this amendment, the term of the Credit Facility has been extended to January 20, 2009, and the Company has an option to extend the term for an additional 14 months, provided that there is no event of default at that time. The previous termination date was November 20, 2007. The amendment also lowered the interest rate to between 0.95% and 1.40% per annum over LIBOR from 1.05% to 1.55% per annum over LIBOR, in both cases depending on the Company s leverage. The amendment reduced the capitalization rate used to calculate Gross Asset Value (as defined in the Credit Facility agreement) to 7.50% from 8.25%. The amendment also modified certain of the financial covenants of the Company in the Credit Facility agreement. The revised covenants reduce the minimum interest coverage and total debt ratios and allow for an increase in investments in partnerships.

**6. COMPREHENSIVE INCOME:**

The following table sets forth the computation of comprehensive income for the three and nine month periods ended September 30, 2006 and 2005:

| | **For the Three Months Ended September 30,** | | **For the Nine Months Ended September 30,** | |
|---|---|---|---|---|
| **(in thousands of dollars)** | **2006** | **2005** | **2006** | **2005** |
| Net income | $4,544 | $17,895 | $9,048 | $38,190 |
| Unrealized (loss) gain on derivatives | (19,788 ) | 9,722 | 3,741 | 4,564 |
| Other comprehensive income | 9 | 9 | 27 | 27 |
| Total comprehensive (loss) income | $(15,235 ) | $27,626 | $12,816 | $42,781 |

**7. CASH FLOW INFORMATION:**

Cash paid for interest was $81.9 million (net of capitalized interest of $6.2 million) and $74.4 million (net of capitalized interest of $1.7 million) for the nine months ended September 30, 2006 and 2005, respectively.

**Significant non-cash transactions**

In connection with the acquisition of Cumberland Mall in February 2005, the Company assumed mortgage loans of $47.7 million and issued OP Units valued at $11.0 million.

**8. RELATED PARTY TRANSACTIONS:**

**General**

PRI provides management, leasing and development services for 13 properties owned by partnerships and other entities in which certain officers or trustees of the Company and PRI or their immediate families and affiliated entities have indirect ownership interests. Total revenues earned by PRI for such services were $0.2 million for each of the three month periods ended September 30, 2006 and 2005, and $0.6 million for each of the nine month periods ended September 30, 2006 and 2005.

The Company leases its principal executive offices from Bellevue Associates (the Landlord ), an entity in which certain officers/trustees of the Company have an interest. Total rent expense under this lease was $0.4 million in each of the three month periods ended September 30, 2006 and 2005 and $1.1 million in each of the nine month periods ended September 30, 2006 and 2005, respectively. Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, own approximately a 50% interest in the Landlord.

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The Company uses an airplane in which Ronald Rubin owns a fractional interest. The Company paid $6,000 and $45,000 for the three months ended September 30, 2006 and 2005, respectively, and $17,000 and $87,000 for the nine months ended September 30, 2006 and 2005 for flight time used by employees on Company-related business.

**Executive Separation**

On March 1, 2006, the Company announced the retirement of Jonathan B. Weller, a Vice Chairman of the Company, effective April 15, 2006. In connection with Mr. Weller s retirement, on February 28, 2006, the Company entered into a Separation of Employment Agreement and General Release (the Separation Agreement ) with Mr. Weller. Pursuant to the Separation Agreement, Mr. Weller also retired from the Company s Board of Trustees, effective as of March 8, 2006, the date on which the Separation Agreement became irrevocable. The Company recorded an expense of $4.0 million in connection with Mr. Weller s separation from the Company. The expense included executive separation cash payments made to Mr. Weller along with the acceleration of the deferred compensation expense associated with the unvested restricted shares and the estimated fair value of Mr. Weller s share of the 2005 2008 Outperformance Program ( OPP ) (see Note 11). Mr. Weller exercised his outstanding options in August 2006. In connection with the Separation Agreement, the Amended and Restated Employment Agreement by and between the Company and Mr. Weller dated as of January 1, 2004 was terminated, effective as of March 8, 2006.

**9. COMMITMENTS AND CONTINGENCIES:**

**Development and Redevelopment Activities**

In connection with its current ground-up development and its redevelopment projects, the Company has made contractual commitments on some of these projects in the form of tenant allowances, lease termination fees and contracts with general contractors and other professional service providers. As of September 30, 2006, the remainder to be paid against such contractual and other commitments was $55.7 million, which is expected to be financed through the Credit Facility or through short-term construction loans.

**Tax Protection Agreements**

The Company has entered into tax protection agreements in connection with certain completed property acquisitions. Under these agreements, the Company has agreed not to dispose of certain protected properties in a taxable transaction until certain dates. In some cases, members of the Company s senior management and/or board of trustees are the beneficiaries of these agreements.

**Other**

In connection with the merger (the Merger ) with Crown American Realty Trust ( Crown ) that closed in November 2003, Crown s former operating partnership retained an 11% interest in the capital and 1% interest in the profits of two partnerships that own 12 shopping malls. This retained interest is subject to a put-call arrangement between Crown s former operating partnership and the Company. Pursuant to this arrangement, the Company has the right to require Crown s former operating partnership to contribute the retained interest to the Company following the 36th month after the closing of the Merger and Crown s former operating partnership has the right to contribute the retained interest to the Company following the 40th month after the closing of the Merger, in each case in exchange for 341,297 additional OP Units. Mark E. Pasquerilla, a trustee of the Company, and his affiliates control Crown s former operating partnership. The remaining partners of Crown s former operating partnership are entitled to receive distributions from the two partnerships that own the 12 shopping malls. The amount of the distributions is based on the distributions made by the Company s operating partnership and amounted to $0.2 million in each of the three month periods ended September 30, 2006 and 2005, and $0.6 million in each of the nine month periods ended September 30, 2006 and 2005.

In the normal course of business, the Company has become and may, in the future, become involved in legal actions relating to the ownership and operations of its properties and the properties it manages for third parties. In management s opinion, the resolution of any such pending legal actions is not expected to have a material adverse effect on the Company s consolidated financial position or results of operations.

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**10. DERIVATIVES:**

In the normal course of business, the Company is exposed to financial market risks, including interest rate risk on its interest-bearing liabilities. The Company endeavors to limit these risks by following established risk management policies, procedures and strategies, including the use of financial instruments. The Company does not use financial instruments for trading or speculative purposes.

Financial instruments are recorded on the balance sheet as assets or liabilities based on each instrument s fair value. Changes in the fair value of financial instruments are recognized currently in earnings, unless the financial instrument meets the criteria for hedge accounting contained in Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted ( SFAS No. 133 ). If the financial instruments meet the criteria for a cash flow hedge, the gains and losses in the fair value of the financial instrument are deferred in other comprehensive income. Gains and losses on a cash flow hedge are reclassified into earnings when the forecasted transaction affects earnings. A contract that is designated as a hedge of an anticipated transaction which is no longer likely to occur is immediately recognized in earnings.

The anticipated transaction to be hedged must expose the Company to interest rate risk, and the hedging instrument must reduce the exposure and meet the requirements for hedge accounting under SFAS No. 133. The Company must formally designate the financial instrument as a hedge and document and assess the effectiveness of the hedge at inception and on a quarterly basis. Interest rate hedges that are designated as cash flow hedges hedge the future cash outflows on debt.

In March 2006, the Company entered into six forward-starting interest rate swap agreements that have a blended 10-year swap rate on a notional amount of $150.0 million of 5.3562% settling no later than December 10, 2008.

In May 2005, the Company entered into three forward starting interest rate swap agreements that have a blended 10-year swap rate of 4.6858% on an aggregate notional amount of $120.0 million settling no later than October 31, 2007. The Company also entered into seven forward starting interest rate swap agreements in May 2005 that have a blended 10-year swap rate of 4.8047% on an aggregate notional amount of $250.0 million settling no later than December 10, 2008.

The Company entered into these swap agreements in order to hedge the expected interest payments associated with a portion of the Company s anticipated future issuances of long-term debt. The Company assessed the effectiveness of these swaps as hedges at inception and on September 30, 2006 and considers these swaps to be highly effective cash flow hedges under SFAS No. 133.

The Company s swaps will be settled in cash for the present value of the difference between the locked swap rate and the then-prevailing rate on or before the cash settlement dates corresponding to the dates of issuance of new long-term debt obligations. If the prevailing market interest rate exceeds the rate in the swap agreement, then the counterparty will make a payment to the Company. If it is lower, the Company will pay the counterparty. The settlement amounts will be amortized over the life of the debt as a yield adjustment.

To determine the fair values of derivative instruments prior to settlement, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments, including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and there can be no assurance that the value in an actual transaction will be equivalent to the fair value set forth in the Company s financial statements.

The counterparties to these swap agreements are all major financial institutions and participants in the Credit Facility. The Company is potentially exposed to credit loss in the event of non-performance by these counterparties. However, because of their high credit ratings, the Company does not anticipate that any of the counterparties will fail to meet these obligations as they come due.

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The following table summarizes the terms and fair values of the Company s derivative financial instruments at September 30, 2006. The notional amounts at September 30, 2006 provide an indication of the extent of the Company s involvement in these instruments at that time, but do not represent exposure to credit, interest rate or market risks.

| **Hedge Type** | **Notional Value** | **Fair Value at September 30, 2006** | **Fair Value at December 31, 2005** | **Interest Rate** | **Effective Date** | **Cash Settlement Date** |
|---|---|---|---|---|---|---|
| Agreements entered in May 2005: | | | | | | |
| Swap-Cash Flow | $50 million | $1.7 million | $1.0 million | 4.6830% | July 31, 2007 | October 31, 2007 |
| Swap-Cash Flow | $50 million | 1.7 million | 1.0 million | 4.6820% | July 31, 2007 | October 31, 2007 |
| Swap-Cash Flow | $20 million | 0.7 million | 0.4 million | 4.7025% | July 31, 2007 | October 31, 2007 |
| Swap-Cash Flow | $50 million | 1.4 million | 0.7 million | 4.8120% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $50 million | 1.5 million | 0.7 million | 4.7850% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $20 million | 0.6 million | 0.3 million | 4.8135% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $45 million | 1.2 million | 0.6 million | 4.8135% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $10 million | 0.3 million | 0.2 million | 4.8400% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $50 million | 1.5 million | 0.7 million | 4.7900% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $25 million | 0.7 million | 0.3 million | 4.8220% | September 10, 2008 | December 10, 2008 |
| | | $11.3 million | $5.9 million | | | |
| Agreements entered in March 2006: | | | | | | |
| Swap-Cash Flow | $50 million | $(0.5) million | N/A | 5.3380% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $25 million | (0.2) million | N/A | 5.3500% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $25 million | (0.3) million | N/A | 5.3550% | September 10, 2008 | December 10, 2008 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Swap-Cash Flow | $20 million | (0.2) million | N/A | 5.3750% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $15 million | (0.2) million | N/A | 5.3810% | September 10, 2008 | December 10, 2008 |
| Swap-Cash Flow | $15 million | (0.2) million | N/A | 5.3810% | September 10, 2008 | December 10, 2008 |
| | | $(1.6) million | N/A | | | |
| Total | | $9.7 million | $5.9 million | | | |

As of September 30, 2006 and December 31, 2005, the estimated unrealized gain attributed to the cash flow hedges was $9.7 million and $5.9 million, respectively, and has been included in deferred costs and other assets and accumulated other comprehensive income in the accompanying consolidated balance sheets. The increase in the aggregate value from December 31, 2005 to September 30, 2006 is due to an increase in market interest rates during the first nine months of 2006, net of the impact of a decrease in market interest rates since the Company entered into the six hedging agreements in March 2006.

**11. STOCK-BASED COMPENSATION**

In January 2005, the Company s Board of Trustees approved the 2005 2008 Outperformance Program ( OPP ), a performance-based incentive compensation program that is designed to pay a bonus (in the form of common shares of beneficial interest) if the Company s total return to shareholders (as defined in the OPP) exceeds certain thresholds over a four-year measurement period beginning on January 1, 2005. The Board of Trustees amended the OPP in March 2005. The Company measures and records compensation expense over the four year period in accordance with the provisions of SFAS 123(R). The Company accrued $0.2 million of compensation expense related to the OPP for each of the three month periods ended September 30, 2006 and 2005, and $1.0 million and $0.7, respectively, for the nine month periods ended September 30, 2006 and 2005.

The Company s 2003 Equity Incentive Plan provides for the granting of, among other things, restricted share awards and options to purchase shares of beneficial interest to key employees and non-employee trustees of the Company. An additional five plans formerly provided for awards of restricted shares or options, under which options remain exercisable and some restricted shares remain outstanding and subject to restrictions. The Company has an additional plan that provides for grants of restricted shares to its non-employee trustees.

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In the nine months ended September 30, 2006, 132,761 restricted shares were issued to certain key employees and trustees as incentive compensation. The restricted shares were awarded at their fair value, which ranged from $40.60 to $41.75 per share. The restricted shares vest over periods of two to five years, and portions of the vested amounts vary based on the Company s performance. In the nine months ended September 30, 2006 and 2005 respectively, the Company also issued 1,750 and 3,050 service award shares at fair values of $40.12 and $42.825, respectively, for non-officer employees based on years of service. The Company recorded compensation expense of $4.7 million and $2.4 million in the nine months ended September 30, 2006 and 2005, respectively, related to all of these share awards and awards made in prior periods.

The following table presents the aggregate number of shares reserved for issuance and the number of shares that remained available for future awards under the two plans that had shares available as of September 30, 2006:

| | **2003 Equity Incentive Plan** | **Restricted Share Plan For Nonemployee Trustees** |
|---|---|---|
| Shares reserved for issuance | 2,500,000 | 50,000 |
| Available for grant at September 30, 2006 | 1,817,606 | 15,000 |

Options are granted at the fair market value of the underlying shares on the date of the grant. The options vest and are exercisable over periods determined by the Company, but in no event later than ten years from the grant date. Changes in options outstanding from January 1, 2006 through September 30, 2006 were as follows:

| | **Weighted Average Exercise Price** | **2003 Equity Incentive Plan** | **1999 Equity Incentive Plan** | **1998 Stock Option Plan** | **1997 Stock Option Plan** | **1990 Employees Plan** | **1990 Nonemployee Trustee Plan** |
|---|---|---|---|---|---|---|---|
| Options outstanding at January 1, 2006 | $23.70 | 18,974 | 100,000 | 35,300 | 201,000 | 26,105 | 49,875 |
| Options exercised | 22.92 | (4,889) | | (4,750) | (11,000) | (25,605) | |
| Options outstanding at September 30, 2006 | $23.42 | 14,085 | 100,000 | 30,550 | 190,000 | 500 | 49,875 |

As of September 30, 2006, exercisable options to purchase 371,260 shares of beneficial interest with an aggregate exercise price of $8.5 million (weighted average exercise price of $22.98 per share) were outstanding.

As of September 30, 2006, an aggregate of outstanding exercisable and unexercisable options to purchase 385,010 shares of beneficial interest with a weighted average remaining contractual life of 2.5 years and an aggregate exercise price of $9.0 million (weighted average exercise price of $23.42 per share) were outstanding.

The following table summarizes information relating to all options outstanding as of September 30, 2006:

| | Options Outstanding as of September 30, 2006 | | Options Exercisable as of September 30, 2006 | | |
|---|---|---|---|---|---|
| **Range of Exercise Prices (Per Share)** | **Number of Shares** | **Weighted Average Exercise Price (Per Share)** | **Number of Shares** | **Weighted Average Exercise Price (Per Share)** | **Weighted Average Remaining Life (years)** |
| $13.00-$18.99 | 110,736 | $17.73 | 110,736 | $17.73 | 4.0 |
| $19.00-$28.99 | 254,274 | 24.95 | 253,024 | 24.93 | 1.4 |
| $29.00-$38.99 | 20,000 | 35.62 | | | |