REGENCY CENTERS CORP
Form 10-Q
May 08, 2009
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington DC 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

-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 1-12298

REGENCY CENTERS CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**59-3191743**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

One Independent Drive, Suite 114

Jacksonville, Florida 32202

(Address of principal executive offices) (Zip Code)

(904) 598-7000

(Registrant s telephone number, including area code)

Unchanged

(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. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

(Check One):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of May 1, 2009, there were 80,021,203 shares outstanding of the Registrant s common stock.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

REGENCY CENTERS CORPORATION

Consolidated Balance Sheets

March 31, 2009 and December 31, 2008

(in thousands, except share data)

	2009 (unaudited)	2008
Assets		
Real estate investments at cost:		
Land	$ 974,244	923,062
Buildings and improvements	2,038,474	1,974,093
	3,012,718	2,897,155
Less: accumulated depreciation	577,737	554,595
	2,434,981	2,342,560
Properties in development	1,077,984	1,078,885
Operating properties held for sale, net	56,913	66,447
Investments in real estate partnerships	368,313	383,408
Net real estate investments	3,938,191	3,871,300
Cash and cash equivalents	24,669	21,533
Notes receivable	36,928	31,438
Tenant receivables, net of allowance for uncollectible accounts of $1,627 and $1,593 at March 31, 2009 and December 31, 2008, respectively	76,529	84,096
Other receivables	19,700	19,700
Deferred costs, less accumulated amortization of $54,424 and $51,549 at March 31, 2009 and December 31, 2008, respectively	55,419	57,477
Acquired lease intangible assets, less accumulated amortization of $10,515 and $11,204 at March 31, 2009 and December 31, 2008, respectively	12,111	12,903
Other assets	44,927	43,928
Total assets	$ 4,208,474	4,142,375
Liabilities and Equity		
Liabilities:		
Notes payable	$ 1,892,679	1,837,904
Unsecured credit facilities	367,667	297,667
Accounts payable and other liabilities	113,607	141,395
Derivative instruments, at fair value	61,481	83,691
Acquired lease intangible liabilities, less accumulated accretion of $8,523 and $8,829 at March 31, 2009 and December 31, 2008, respectively	7,358	7,865
Tenants security and escrow deposits	11,324	11,571
Total liabilities	2,454,116	2,380,093

Commitments and contingencies		
Equity:		
Stockholders equity:		
Preferred stock, $.01 par value per share, 30,000,000 shares authorized; 11,000,000 Series 3-5 shares issued and outstanding at March 31, 2009 and December 31, 2008 with liquidation preferences of $25 per share	275,000	275,000
Common stock $.01 par value per share, 150,000,000 shares authorized; 75,682,133 and 75,634,881 shares issued at March 31, 2009 and December 31, 2008, respectively	756	756
Treasury stock at cost, 5,661,520 and 5,598,211 shares held at March 31, 2009 and December 31, 2008, respectively	(111,414)	(111,414)
Additional paid in capital	1,779,039	1,778,265
Accumulated other comprehensive loss	(68,585)	(90,975)
Distributions in excess of net income	(186,227)	(155,057)
Total stockholders equity	1,688,569	1,696,575
Noncontrolling interests:		
Preferred units, aggregate redemption value of $50,000 at March 31, 2009 and December 31, 2008	49,158	49,158
Exchangeable operating partnership units, aggregate redemption value of $12,440 and $21,865 at March 31, 2009 and December 31, 2008, respectively	8,556	8,569
Limited partners interest in consolidated partnerships	8,075	7,980
Total noncontrolling interests	65,789	65,707
Total equity	1,754,358	1,762,282
Total liabilities and equity	$ 4,208,474	4,142,375

See accompanying notes to consolidated financial statements.

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REGENCY CENTERS CORPORATION

Consolidated Statements of Operations

For the three months ended March 31, 2009 and 2008

(in thousands, except per share data)

(unaudited)

	2009	2008
Revenues:		
Minimum rent	$ 86,011	82,361
Percentage rent	700	800
Recoveries from tenants and other income	25,191	23,897
Management, acquisition, and other fees	7,756	8,447
Total revenues	119,658	115,505
Operating expenses:		
Depreciation and amortization	28,083	24,546
Operating and maintenance	15,920	14,730
General and administrative	15,884	14,123
Real estate taxes	14,114	12,227
Other expenses	288	796
Total operating expenses	74,289	66,422
Other expense (income):		
Interest expense, net of interest income of $906 and $880 in 2009 and 2008, respectively	26,518	22,538
Gain on sale of operating properties and properties in development		(2,934)
Provision for impairment		716
Total other expense (income)	26,518	20,320
Income before equity in income of investments in real estate partnerships	18,851	28,763
Equity in income of investments in real estate partnerships	1,902	2,635
Income from continuing operations	20,753	31,398
Discontinued operations, net:		
Operating income from discontinued operations	1,074	1,641
Gain on sale of operating properties and properties in development	3,886	
Income from discontinued operations	4,960	1,641
Net income	25,713	33,039
Noncontrolling interests:		
Preferred units	(931)	(931)
Exchangeable operating partnership units	(164)	(213)
Limited partners interest in consolidated partnerships	(136)	(257)
Net income attributable to noncontrolling interests	(1,231)	(1,401)

Net income attributable to controlling interests		24,482	31,638
Preferred stock dividends		(4,919)	(4,919)
Net income attributable to common stockholders	$	19,563	26,719
Income per common share - basic:			
Continuing operations	$	0.21	0.36
Discontinued operations		0.07	0.02
Net income attributable to common stockholders per share	$	0.28	0.38
Income per common share - diluted:			
Continuing operations	$	0.21	0.36
Discontinued operations		0.07	0.02
Net income attributable to common stockholders per share	$	0.28	0.38

See accompanying notes to consolidated financial statements.

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REGENCY CENTERS CORPORATION

Consolidated Statement of Equity and Comprehensive Income (Loss)

For the three months ended March 31, 2009

(in thousands, except per share data)

(unaudited)

								Noncontrolling Interests				
	Preferred Stock	**Common Stock**	**Treasury Stock**	**Additional Paid In Capital**	**Accumulated Other Comprehensive Loss**	**Distributions in Excess of Net Income**	**Total Stockholders Equity**	**Preferred Units**	**Exchangeable Operating Partnership Units**	**Limited Partners Interest in Consolidated Partnerships**	**Total Noncontrolling Interests**	**Tota Equi**
nce at mber 31,	$ 275,000	756	(111,414)	1,778,265	(90,975)	(155,057)	1,696,575	49,158	8,569	7,980	65,707	1,762,
prehensive me:												
ncome						24,482	24,482	931	164	136	1,231	25,
rtization of on ative uments					327		327					
ge in fair e of ative uments					22,063		22,063		147		147	22,
prehensive ne							46,872				1,378	48,
icted stock d, net of tization				1,445			1,445					1,
mon stock emed for withheld ock based pensation,				(2,325)			(2,325)					(2,
mon stock d for end estment				1,100			1,100					1,
benefit for nce of options				554			554					
ributions partners										80	80	
ibutions to ers										(121)	(121)	(
dividends red:												
rred /unit						(4,919)	(4,919)	(931)			(931)	(5,
						(50,733)	(50,733)		(324)		(324)	(51,

mon /unit 5 per)												
nce at ch 31,	$ 275,000	756	(111,414)	1,779,039	(68,585)	(186,227)	1,688,569	49,158	8,556	8,075	65,789	1,754,

See accompanying notes to consolidated financial statements.

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REGENCY CENTERS CORPORATION

Consolidated Statements of Cash Flows

For the three months ended March 31, 2009 and 2008

(in thousands)

(unaudited)

	2009	2008
Cash flows from operating activities:		
Net income attributable to controlling interests	$ 24,482	31,638
Adjustments to reconcile net income attributable to controlling interests to net cash provided by operating activities:		
Depreciation and amortization	28,083	25,522
Deferred loan cost and debt premium amortization	1,122	980
Above and below market lease intangibles amortization and accretion	(481)	(548)
Stock-based compensation, net of capitalization	1,037	3,549
Noncontrolling interest of preferred units	931	931
Noncontrolling interest of exchangeable operating partnership units	164	213
Noncontrolling interest of limited partners interest in consolidated partnerships	136	257
Equity in income of investments in real estate partnerships	(1,902)	(2,635)
Net gain on sale of properties	(3,886)	(2,934)
Provision for impairment		716
Distribution of earnings from operations of investments in real estate partnerships	9,053	9,908
Changes in assets and liabilities:		
Tenant receivables	7,546	8,002
Deferred leasing costs	(883)	(1,584)
Other assets	(2,332)	(3,965)
Accounts payable and other liabilities	(23,337)	(30,205)
Tenants security and escrow deposits	60	339
Net cash provided by operating activities	39,793	40,184
Cash flows from investing activities:		
Development of real estate including acquisition of land	(46,093)	(107,108)
Proceeds from sale of real estate investments	6,512	26,878
Collection of notes receivable	3,450	12,129
Investments in real estate partnerships	(12,178)	(7,572)
Distributions received from investments in real estate partnerships	1,920	2,324
Net cash used in investing activities	(46,389)	(73,349)
Cash flows from financing activities:		
Net proceeds from common stock issuance	2	799
Distributions to limited partners in consolidated partnerships, net	(112)	(386)
Distributions to exchangeable operating partnership unit holders	(324)	(344)
Distributions to preferred unit holders	(931)	(931)
Dividends paid to common stockholders	(49,633)	(49,448)
Dividends paid to preferred stockholders	(4,919)	(4,919)
Proceeds from unsecured credit facilities, net	70,000	101,667
Repayment of notes payable	(3,029)	(50)
Scheduled principal payments	(1,322)	(1,115)
Payment of loan costs		(1,564)

Net cash provided by financing activities	9,732	43,709
Net increase in cash and cash equivalents	3,136	10,544
Cash and cash equivalents at beginning of the period	21,533	18,668
Cash and cash equivalents at end of the period	$ 24,669	29,212

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REGENCY CENTERS CORPORATION

Consolidated Statements of Cash Flows

For the three months ended March 31, 2009 and 2008

(in thousands)

(unaudited)

	2009	2008
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of $6,359 and $9,387 in 2009 and 2008, respectively)	$ 33,688	30,005
Supplemental disclosure of non-cash transactions:		
Common stock issued for partnership units exchanged	$	232
Real estate received through distribution in kind	$ 80,163	
Mortgage loans assumed through distribution in kind	$ 59,061	
Notes receivable taken in connection with sales of properties in development	$ 8,940	
Change in fair value of derivative instruments	$ 22,210	(9,685)
Common stock issued for dividend reinvestment plan	$ 1,100	1,004
Stock-based compensation capitalized	$ 495	2,021
Contributions to limited partners in consolidated partnerships, net	$ 71	72

See accompanying notes to consolidated financial statements.

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Regency Centers Corporation

Notes to Consolidated Financial Statements

March 31, 2009

1. Summary of Significant Accounting Policies

(a) Organization and Principles of Consolidation

General

Regency Centers Corporation (Regency or the Company) began its operations as a Real Estate Investment Trust (REIT) in 1993 and is the managing general partner of its operating partnership, Regency Centers, L.P. (RCLP or the Partnership). Regency currently owns approximately 99% of the outstanding common partnership units (Units) of the Partnership. Regency engages in the ownership, management, leasing, acquisition, and development of retail shopping centers through the Partnership, and has no other assets or liabilities other than through its investment in the Partnership. At March 31, 2009, the Partnership directly owned 226 retail shopping centers and held partial interests in an additional 187 retail shopping centers through investments in real estate partnerships (also referred to as co-investment partnerships or joint ventures).

Estimates, Risks, and Uncertainties

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Regency s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates in the Company s financial statements relate to the carrying values of its investments in real estate including its shopping centers, properties in development and its unconsolidated investments in real estate partnerships, tenant receivables, net, and derivative instruments. Each of these items could be significantly affected by the current economic recession.

Because of the adverse conditions that exist in the real estate markets, as well as, the credit and financial markets, it is possible that the estimates and assumptions that have been utilized in the preparation of the consolidated financial statements could change significantly. Specifically as it relates to the Company s business, the current economic recession is expected to result in a higher level of retail store closings nationally, which could reduce the demand for leasing space in the Company s shopping centers and result in a decline in occupancy and rental revenues in its real estate portfolio. The lack of available credit in the commercial real estate market is causing a decline in the values of commercial real estate nationally and the Company s ability to sell shopping centers to raise capital. A reduction in the demand for new retail space and capital availability have caused the Company to significantly reduce its new shopping center development program until markets become less volatile.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company, the Partnership, its wholly owned subsidiaries, and consolidated partnerships in which the Company has a controlling ownership interest. All significant inter-company balances and transactions are eliminated in the consolidated financial statements.

Regency Centers Corporation

Notes to Consolidated Financial Statements

March 31, 2009

Ownership of the Company

Regency has a single class of common stock outstanding and three series of preferred stock outstanding (Series 3, 4, and 5 Preferred Stock). The dividends on the Series 3, 4, and 5 Preferred Stock are cumulative and payable in arrears on the last day of each calendar quarter. The Company owns corresponding Series 3, 4, and 5 preferred unit interests (Series 3, 4, and 5 Preferred Units) in the Partnership that entitle the Company to income and distributions from the Partnership in amounts equal to the dividends paid on the Company s Series 3, 4, and 5 Preferred Stock.

Ownership of the Operating Partnership

The Partnership s capital includes general and limited common Partnership Units, Series 3, 4, and 5 Preferred Units owned by the Company, and Series D Preferred Units owned by institutional investors. At March 31, 2009, the Company owned approximately 99% or 70,020,613 Partnership Units of the total 70,488,824 Partnership Units outstanding.

Net income and distributions of the Partnership are allocable first to the Preferred Units, and the remaining amounts to the general and limited common Partnership Units in accordance with their ownership percentage. The Series 3, 4, and 5 Preferred Units owned by the Company are eliminated in consolidation.

Noncontrolling Interests

The Company consolidates all entities in which it holds a controlling financial interest in accordance with the Financial Accounting Standards Board (FASB) Accounting Research Bulletin No. 51, as amended, Consolidated Financial Statements (ARB 51). A controlling financial interest is typically attributable to the entity with a majority voting interest per ARB 51. However, investments in real estate partnerships not controlled by the Company are accounted for under the equity method. The Company has evaluated its investment in the real estate partnerships and has concluded that they are not variable interest entities as defined in FASB Interpretation No. 46(R) Consolidation of Variable Interest Entities (FIN 46(R)). Further, the venture partners in the real estate partnerships have significant ownership rights, including approval over operating budgets and strategic plans, capital spending, sale or financing, and admission of new partners. Upon formation of the joint ventures, the Company also became the managing member, responsible for the day-to-day operations of the partnerships. The Company evaluated its investment in each partnership and concluded that the other partners have substantive participating rights and, therefore, the Company has concluded that the equity method of accounting is appropriate for these investments and they do not require consolidation under Emerging Issues Task Force (EITF) Issue No. 04-5 Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-5), or the American Institute of Certified Public Accountants (AICPA) Statement of Position 78-9, Accounting for Investments in Real Estate Ventures (SOP 78-9). Under the equity method of accounting, investments in real estate partnerships are initially recorded at cost, subsequently increased for additional contributions and allocations of income, and reduced for distributions received and allocations of loss. These investments are included in the consolidated financial statements as investments in real estate partnerships.

Regency Centers Corporation

Notes to Consolidated Financial Statements

March 31, 2009

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (Statement 160), effective for fiscal years beginning on or after December 15, 2008. The Company adopted FAS 160 effective January 1, 2009. Per Statement 160, noncontrolling interest is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. Under Statement 160, such noncontrolling interests are reported on the consolidated balance sheets within equity, but separately from stockholders equity. On the consolidated statements of operations, all of the revenues and expenses from less-than-wholly-owned consolidated subsidiaries are reported in net income, including both the amounts attributable to the Company and noncontrolling interests.

The consolidated financial statements of the Company include the following ownership interests held by owners other than the Company: the preferred units in the Partnership held by third parties (Preferred units), the common units in the Partnership held by third parties (Exchangeable operating partnership units), and the minority-owned interest held by third parties in consolidated partnerships (Limited partners interest in consolidated partnerships). The Company has included all noncontrolling interests in permanent equity, separate from the Company s stockholders equity, in the accompanying Consolidated Balance Sheets and Consolidated Statement of Equity and Comprehensive Income (Loss). The portion of net income (loss) or comprehensive income (loss) attributable to these noncontrolling interests is included in net income (loss) and comprehensive income (loss) in the accompanying Consolidated Statements of Operations and Consolidated Statement of Equity and Comprehensive Income (Loss).

EITF Topic D-98 Classification and Measurement of Redeemable Securities (EITF Topic D-98), requires securities that are redeemable for cash or other assets at the option of the holder, not solely within the control of the issuer, be classified as redeemable noncontrolling interests outside of permanent equity in the consolidated balance sheets. The Company has evaluated the conditions as specified in paragraphs 12 to 32 of EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock (EITF 00-19) as it relates to preferred units or exchangeable operating partnership units outstanding and concluded that the Company has the right to satisfy the redemption requirements of the units by delivering unregistered preferred or common stock. Therefore, the guidance in EITF Topic D-98 does not apply to such units. Each outstanding preferred unit and exchangeable operating partnership unit is exchangeable for one share of preferred stock or common stock, respectively, and the unit holder cannot require redemption in cash or other assets. Limited partners interest in consolidated partnerships are not redeemable by the holders.

(b) Revenues

The Company leases space to tenants under agreements with varying terms. Leases are accounted for as operating leases with minimum rent recognized on a straight-line basis over the term of the lease regardless of when payments are due. Accrued rents are included in tenant receivables. The Company estimates the collectibility of the accounts receivable related to base rents, straight-line rents, expense reimbursements, and other revenue taking into consideration the Company s experience in the retail sector, available internal and external tenant credit information, payment history, industry trends, tenant credit-worthiness, and remaining lease terms. In some cases, primarily relating to straight-

Regency Centers Corporation

Notes to Consolidated Financial Statements

March 31, 2009

line rents, the collection of these amounts extends beyond one year. Substantially all of the lease agreements with anchor tenants contain provisions that provide for additional rents based on tenants sales volume (percentage rent) and reimbursement of the tenants share of real estate taxes, insurance, and common area maintenance (CAM) costs. Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements. Recovery of real estate taxes, insurance, and CAM costs are recognized as the respective costs are incurred in accordance with the lease agreements.

As part of the leasing process, the Company may provide the lessee with an allowance for the construction of leasehold improvements. These leasehold improvements are capitalized and recorded as tenant improvements, and depreciated over the shorter of the useful life of the improvements or the lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue. Factors considered during this evaluation include, among other things, who holds legal title to the improvements as well as other controlling rights provided by the lease agreement and provisions for substantiation of such costs (e.g. unilateral control of the tenant space during the build-out process). Determination of the appropriate accounting for the payment of a tenant allowance is made on a lease-by-lease basis, considering the facts and circumstances of the individual tenant lease. Recognition of lease revenue commences when the lessee is given possession of the leased space upon completion of tenant improvements when the Company is the owner of the leasehold improvements. However, when the leasehold improvements are owned by the tenant, the lease inception date is the date the tenant obtains possession of the leased space for purposes of constructing its leasehold improvements.

The Company accounts for profit recognition on sales of real estate in accordance with Statement of Financial Accounting Standards (SFAS) No. 66, Accounting for Sales of Real Estate (Statement 66). In summary, profits from sales of real estate are not recognized under the full accrual method by the Company unless a sale is consummated; the buyer s initial and continuing investment is adequate to demonstrate a commitment to pay for the property; the Company s receivable, if applicable, is not subject to future subordination; the Company has transferred to the buyer the usual risks and rewards of ownership; and the Company does not have substantial continuing involvement with the property.

The Company sells shopping center properties to joint ventures in exchange for cash equal to the fair value of the percentage interest owned by its partners. The Company accounts for those sales as partial sales and recognizes gains on those partial sales in the period the properties were sold to the extent of the percentage interest sold under the guidance of Statement 66, and in the case of certain partnerships, applies a more restrictive method of recognizing gains, as discussed further below. The gains and operations associated with properties sold to these partnerships are not recorded as discontinued operations because the Company continues to manage these shopping centers.

Four of the Company s joint ventures (DIK-JV) give either partner the unilateral right to elect to dissolve the partnership and, upon such an election, receive a distribution in-kind (DIK) of the assets of the partnership equal to their respective ownership interests, which could include properties the Company sold to the partnership. The liquidation provisions would require that all of the properties owned by the partnership be appraised to determine their

Regency Centers Corporation

Notes to Consolidated Financial Statements

March 31, 2009

respective and collective fair values. As a general rule, if the Company initiates the liquidation process, its partner has the right to choose the first property that it will receive in liquidation with the Company having the right to choose the next property that it will receive in liquidation. If the Company s partner initiates the liquidation process, the order of the selection process is reversed. The process then continues with alternating selection of properties by each partner until the balance of each partner s capital account on a fair value basis has been distributed. After the final selection, to the extent that the fair value of properties in the DIK-JV are not distributable in a manner that equals the balance of each partner s capital account, a cash payment would be made to the other partner by the partner receiving a fair value in excess of its capital account. The partners may also elect to liquidate some or all of the properties through sales rather than through the DIK process.

The Company has concluded that these DIK dissolution provisions constitute in-substance call/put options under the guidance of Statement 66, and represent a form of continuing involvement with respect to property that the Company has sold to these partnerships, limiting the Company s recognition of gain related to the partial sale. This more restrictive method of gain recognition (Restricted Gain Method) considers the Company s potential ability to receive property through a DIK on which partial gain has been recognized, and ensures, as discussed below, maximum gain deferral upon sale to a DIK-JV. The Company has applied the Restricted Gain Method to partial sales of property to partnerships that contain unilateral DIK provisions.

Under current guidance, (Statement 66, paragraph 25), profit shall be recognized by a method determined by the nature and extent of the seller s continuing involvement and the profit recognized shall be reduced by the maximum exposure to loss. The Company has concluded that the Restricted Gain Method accomplishes this objective.

Under the Restricted Gain Method, for purposes of gain deferral, the Company considers the aggregate pool of properties sold into the DIK-JV as well as the aggregate pool of properties which will be distributed in the DIK process. As a result, upon the sale of properties to a DIK-JV, the Company performs a hypothetical DIK liquidation assuming that it would choose only those properties that it has sold to the DIK-JV in an amount equal to its capital account. For purposes of calculating the gain to be deferred, the Company assumes that it will select properties in a DIK liquidation that would otherwise have generated the highest gain to the Company when originally sold to the DIK-JV. The deferred gain to be recorded upon the sale of a property to a DIK-JV is calculated whenever a property is sold to the DIK-JV by the Company. During the periods when there are no property sales to a DIK-JV, the deferred gain is not recalculated.

Because the contingency associated with the possibility of receiving a particular property back upon liquidation, which forms the basis of the Restricted Gain Method, is not satisfied at the property level, but at the aggregate level, no gain is recognized on property sold by the DIK-JV to a third party or received by the Company upon actual dissolution. Instead, the property received upon actual dissolution is recorded at the Company s historical cost investment in the DIK-JV on the date of dissolution, reduced by the deferred gain.

The Company has been engaged under agreements with its joint venture partners to provide asset management, property management, leasing, investing, and financing services for such ventures shopping centers. The fees are market-based, generally calculated as a percentage of either revenues earned or the estimated values of the properties managed,

Regency Centers Corporation

Notes to Consolidated Financial Statements

March 31, 2009

and are recognized as services are rendered, when fees due are determinable and collectibility is reasonably assured.

(c) Real Estate Investments

Land, buildings, and improvements are recorded at cost. All specifically identifiable costs related to development activities are capitalized into properties in development on the accompanying Consolidated Balance Sheets. Properties in development are defined as properties that are in the construction or initial lease-up process and have not reached their initial full occupancy (reaching full occupancy generally means achieving at least 95% leased and rent paying on newly constructed or renovated GLA) and are accounted for in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects (Statement 67). In summary, Statement 67 establishes that a rental project changes from non-operating to operating when it is substantially completed and available for occupancy. At that time, costs should no longer be capitalized. The capitalized costs include pre-development costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, and allocated direct employee costs incurred during the period of development. In accordance with SFAS No. 34, Capitalization of Interest Cost (Statement 34), interest costs are capitalized into each development project based on applying the Company s weighted average borrowing rate to that portion of the actual development costs expended. The Company ceases interest cost capitalization when the property is no longer being developed or is available for occupancy upon substantial completion of tenant improvements, but in no event would the Company capitalize interest on the project beyond 12 months after substantial completion of the building shell.

The Company incurs costs prior to land acquisition including contract deposits, as well as legal, engineering, and other external professional fees related to evaluating the feasibility of developing a shopping center. These pre-development costs are included in properties in development in the accompanying Consolidated Balance Sheets. At March 31, 2009 and December 31, 2008, the Company had capitalized pre-development costs of $7.2 million and $7.7 million, respectively, of which approximately $1.0 million and $2.3 million, respectively, were refundable deposits. If the Company determines that the development of a particular shopping center is no longer probable, any related pre-development costs previously capitalized are immediately expensed in other expenses in the accompanying Consolidated Statements of Operations. During the three months ended March 31, 2009 and 2008, the Company expensed pre-development costs of approximately $150,000 and $374,000, respectively, in other expenses in the accompanying Consolidated Statements of Operations.

Maintenance and repairs that do not improve or extend the useful lives of the respective assets are recorded in operating and maintenance expense.

Depreciation is computed using the straight-line method over estimated useful lives of up to 40 years for buildings and improvements, the shorter of the useful life or the lease term for tenant improvements, and three to seven years for furniture and equipment.

The Company and the real estate partnerships allocate the purchase price of assets acquired (net tangible and identifiable intangible assets) and liabilities assumed based on their relative fair values at the date of acquisition pursuant to the provisions of SFAS No.

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141, Business Combinations (Statement 141) as amended by SFAS No. 141(R) Business Combinations (Statement 141(R)) and adopted by the Company in January 2009. Statement 141(R) provide guidance on the allocation of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The Company s methodology for this allocation includes estimating an as-if vacant fair value of the physical property, which is allocated to land, building, and improvements. The difference between the purchase price and the as-if vacant fair value is allocated to intangible assets. There are three categories of intangible assets to be considered: (i) value of in-place leases, (ii) above and below-market value of in-place leases, and (iii) customer relationship value.

The value of in-place leases is estimated based on the value associated with the costs avoided in originating leases compared to the acquired in-place leases as well as the value associated with lost rental and recovery revenue during the assumed lease-up period. The value of in-place leases is recorded to amortization expense over the remaining initial term of the respective leases in accordance with SFAS No. 142, Goodwill and Other Intangible Assets (Statement 142).

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for comparable in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The value of above-market leases is amortized as a reduction of minimum rent over the remaining terms of the respective leases and the value of below-market leases is accreted to minimum rent over the remaining terms of the respective leases, including below-market renewal options, if applicable, as required by Statement 142 as amended by FASB Staff Position (FSP) No. FAS 142-3 Determination of the Useful Life of Intangible Assets (FAS 142-3) and adopted by the Company in January 2009. FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement 142. If a tenant exercises an option to renew a lease as per the lease agreement, the Company capitalizes any related leasing commissions and recognizes any related option fees as agreed upon. The Company does not allocate value to customer relationship intangibles if it has pre-existing business relationships with the major retailers in the acquired property since they do not provide incremental value over the Company s existing relationships.

The Company and its investments in real estate partnerships follow the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement 144). In accordance with Statement 144, the Company classifies an operating property or a property in development as held-for-sale when the Company determines that the property is available for immediate sale in its present condition, the property is being actively marketed for sale, and management believes it is probable that a sale will be consummated within one year. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow prospective buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements, often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period, or may not close at all. Therefore, any properties categorized as held-for-sale represent only those properties that management has determined are probable to close within the requirements set forth in Statement 144. Operating properties held-for-sale are carried at the lower of cost

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or fair value less costs to sell. The recording of depreciation and amortization expense is suspended during the held-for-sale period.

In accordance with Statement 144 and EITF 03-13 Applying the Conditions in Paragraph 42 of FASB Statement 144 in Determining Whether to Report Discontinued Operations (EITF 03-13), when the Company sells a property or classifies a property as held-for-sale and will not have significant continuing involvement in the operation of the property, the operations of the property are eliminated from ongoing operations and classified in discontinued operations. In accordance with EITF 87-24 Allocation of Interest to Discontinued Operations (EITF 87-24), its operations, including any mortgage interest and gain on sale, are reported in discontinued operations so that the operations are clearly distinguished. Prior periods are also reclassified to reflect the operations of these properties as discontinued operations. When the Company sells operating properties to its joint ventures or to third parties, and will continue to manage the properties, the operations and gains on sales are included in income from continuing operations.

The Company reviews its real estate portfolio including the properties owned through investments in real estate partnerships for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For properties to be held and used for long term investment, the Company estimates undiscounted future cash flows over the expected investment term including the estimated future value of the asset upon sale at the end of the investment period. Future value is generally determined by applying a market based capitalization rate to the estimated future net operating income in the final year of the expected investment term. If after applying this method a property is determined to be impaired, the Company determines the provision for impairment based upon applying a market capitalization rate to current estimated net operating income as if the sale were to occur immediately. For properties held for sale , the Company estimates current resale values by market through appraisal information and other market data less expected costs to sell. These methods of determining fair value can fluctuate significantly as a result of a number of factors, including changes in the general economy of those markets in which the Company operates, tenant credit quality, and demand for new retail stores.

In accordance with Accounting Principles Board Opinion No. 18 The Equity Method of Accounting for Investments in Common Stock (APB 18) and EITF 08-6, Equity Method Investment Accounting Considerations (EITF 08-6), a loss in value of an investment under the equity method of accounting, which is other than a temporary decline, must be recognized. To evaluate the Company s investment in real estate partnerships, the Company calculates the fair value of the investment by discounting estimated future cash flows over the expected term of the investment.

(d) Cash and Cash Equivalents

Any instruments which have an original maturity of 90 days or less when purchased are considered cash equivalents. At March 31, 2009 and December 31, 2008, $6.3 million and $8.7 million, respectively, of cash was restricted through escrow agreements required for a development and certain mortgage loans.

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(e) Notes Receivable

The Company records notes receivable at cost on the accompanying Consolidated Balance Sheets and interest income is accrued as earned in interest expense, net in the accompanying Consolidated Statements of Operations. If a note receivable is past due, meaning the debtor is past due per contractual obligations, the Company ceases to accrue interest income. However, in the event the debtor subsequently becomes current, the Company will resume accruing interest. The Company evaluates the collectibility of both interest and principal for all notes receivable to determine whether impairment exists using the present value of expected cash flows discounted at the note receivable s effective interest rate or in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures (Statement 114) as amended by SFAS No. 118, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures (Statement 118) which is based on observable market prices. In the event the Company determines a note receivable or a portion thereof is considered uncollectible, the Company records an allowance for credit loss. The Company estimates the collectibility of notes receivable taking into consideration the Company s experience in the retail sector, available internal and external credit information, payment history, market and industry trends, and debtor credit-worthiness. See Note 5 for further discussion.

(f) Deferred Costs

Deferred costs include leasing costs and loan costs, net of accumulated amortization. Such costs are amortized over the periods through lease expiration or loan maturity, respectively. If the lease is terminated early or if the loan is repaid prior to maturity, the remaining leasing costs or loan costs are written off. Deferred leasing costs consist of internal and external commissions associated with leasing the Company s shopping centers. Net deferred leasing costs were $45.4 million and $46.8 million at March 31, 2009 and December 31, 2008, respectively. Deferred loan costs consist of initial direct and incremental costs associated with financing activities. Net deferred loan costs were $10.0 million and $10.7 million at March 31, 2009 and December 31, 2008, respectively.

(g) Derivative Financial Instruments

SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (Statement 161), amends and expands the disclosure requirements of SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (Statement 133) with the intent to provide users of financial statements with an enhanced understanding of (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. Statement 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

The Company accounts for all derivative financial instruments in accordance with Statement 133 as amended by SFAS No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities (Statement 149). Statement 133 requires that all derivative

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instruments, whether designated in hedging relationships or not, be recorded on the balance sheet at their fair values. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under Statement 133.

The Company s use of derivative financial instruments is intended to mitigate its interest rate risk on a related financial instrument or forecasted transaction through the use of interest rate swaps (the Swaps) and the Company designates these interest rate swaps as cash flow hedges. Statement 133 requires that the gains or losses resulting from changes in fair value of derivatives that qualify as cash flow hedges be recognized in other comprehensive income (OCI) while the ineffective portion of the derivative s change in fair value be recognized in the income statement as interest expense. Upon the settlement of a hedge, gains and losses remaining in OCI are amortized over the underlying term of the hedge transaction. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows and/or forecasted cash flows of the hedged items.

In assessing the valuation of the hedges, the Company uses standard market conventions and techniques such as discounted cash flow analysis, option pricing models, and termination costs at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized. See Notes 9 and 10 for further discussion.

(h) Income Taxes

The Company believes it qualifies, and intends to continue to qualify, as a REIT under the Internal Revenue Code (the Code). As a REIT, the Company will generally not be subject to federal income tax, provided that distributions to its stockholders are at least equal to REIT taxable income. Regency Realty Group, Inc. (RRG), a wholly-owned subsidiary of RCLP, is a Taxable REIT Subsidiary (TRS) as defined in Section 856(l) of the Code. RRG is subject to federal and state income taxes and files separate tax returns.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated tax consequences attributable to differences

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between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which these temporary differences are expected to be recovered or settled.

Earnings and profits, which determine the taxability of dividends to stockholders, differs from net income reported for financial reporting purposes primarily because of differences in depreciable lives and cost bases of the shopping centers, as well as other timing differences. See Note 7 for further discussion.

The Company accounts for uncertainties in income tax law in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open tax years (after 2005 for federal and state) based on an assessment of many factors including past experience and interpretations of tax laws applied to the facts of each matter.

(i) Earnings per Share and Treasury Stock

The Company calculates earnings per share in accordance with SFAS No. 128, Earnings per Share (Statement 128). Basic earnings per share of common stock is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the conversion of obligations and the assumed exercises of securities including the effects of shares issuable under the Company s share-based payment arrangements, if dilutive. On January 1, 2009, the Company adopted FASB Staff Position (FSP) EITF 03-6-1 (FSP EITF 03-6-1), Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1) and concluded that the dividends paid on the Company s share-based payment transactions are not participating securities as they are forfeitable. See Note 13 for the calculation of earnings per share (EPS).

Repurchases of the Company s common stock are recorded at cost and are reflected as treasury stock in the accompanying Consolidated Statement of Equity and Comprehensive Income (Loss). Regency s outstanding shares do not include treasury shares.

(j) Stock-Based Compensation

Regency grants stock-based compensation to its employees and directors. When Regency issues common shares as compensation, it receives a like number of common units from the Partnership. Regency is committed to contribute to the Partnership all proceeds from the exercise of stock options or other share-based awards granted under Regency s Long-Term Omnibus Plan (the Plan). Accordingly, Regency s ownership in the Partnership will increase based on the amount of proceeds contributed to the Partnership for the common units it receives. As a result of the issuance of common units to Regency for stock-based

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compensation, the Partnership accounts for stock-based compensation in the same manner as Regency.
The Company recognizes stock-based compensation in accordance with SFAS No. 123(R) Share-Based Payment (Statement 123(R)) which requires companies to measure the cost of stock-based compensation based on the grant-date fair value of the award. The cost of the stock-based compensation is expensed over the vesting period. See Note 12 for further discussion.

(k) Segment Reporting

The Company s business is investing in retail shopping centers through direct ownership or through joint ventures. The Company actively manages its portfolio of retail shopping centers and may from time to time make decisions to sell lower performing properties or developments not meeting its long-term investment objectives. The proceeds from sales are reinvested into higher quality retail shopping centers, through acquisitions or new developments, which management believes will meet its expected rate of return. It is management s intent that all retail shopping centers will be owned or developed for investment purposes; however, the Company may decide to sell all or a portion of a development upon completion. The Company s revenue and net income are generated from the operation of its investment portfolio. The Company also earns fees from third parties for services provided to manage and lease retail shopping centers owned through joint ventures.

The Company s portfolio is located throughout the United States; however, management does not distinguish or group its operations on a geographical basis for purposes of allocating resources or measuring performance. The Company reviews operating and financial data for each property on an individual basis; therefore, the Company defines an operating segment as its individual properties. No individual property constitutes more than 10% of the Company s combined revenue, net income or assets, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to both the nature and economics of the centers, tenants and operational processes, as well as long-term average financial performance. In addition, no single tenant accounts for 6% or more of revenue and none of the shopping centers are located outside the United States.

(l) Financial Instruments with Characteristics of Both Liabilities and Equity

The Company accounts for noncontrolling interests in consolidated entities in accordance with SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (Statement 150) which requires companies having consolidated entities with specified termination dates to treat owners noncontrolling interests in such entities in an amount based on the fair value. See Note 10 for further discussion.

(m) Assets and Liabilities Measured at Fair Value

The Company accounts for assets and liabilities measured at fair value in accordance with SFAS No. 157, Fair Value Measurements (Statement 157) as amended by FASB Staff Position Effective Date of FASB Statement No. 157 (FSP FAS 157-2). Statement 157 emphasizes that fair value is a market-based measurement, not an entity-specific

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measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, Statement 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability, which are typically based on the Company s own assumptions, as there is little, if any, related market activity.

In January 2009, the Company adopted FSP FAS 157-2 which requires entities to measure nonfinancial assets and nonfinancial liabilities, initially measured at fair value in a business combination or other new basis event, to be remeasured at fair value in subsequent periods. Upon adoption, the Company did not have any such nonfinancial assets or nonfinancial liabilities that required remeasurement at fair value as of March 31, 2009.

In January 2008, the Company adopted SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (Statement 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Although Statement 159 was adopted, the Company did not elect to measure any other financial statement items at fair value. See Note 10 for all fair value measurements of assets and liabilities made on a recurring and nonrecurring basis.

(n) Recent Accounting Pronouncements

There have not been any new accounting pronouncements issued that are applicable to the Company. For those recent accounting pronouncements that have been adopted by the Company effective January 1, 2009, refer to Notes 1(a) to 1(m) above.

(o) Reclassifications

Certain reclassifications have been made to the 2008 amounts to conform to classifications adopted in 2009.

2. Real Estate Investments

During 2009, the Company did not have any acquisition activity, other than through the distribution-in-kind of properties from one of its investments in real estate partnerships as described in Note 4.

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3. Discontinued Operations

The Company maintains a conservative capital structure to fund its growth program without compromising its investment-grade ratings. This approach is founded on a self-funding business model which utilizes center recycling as a key component and requires ongoing monitoring of each center to ensure that it meets Regency s investment standards. This recycling strategy calls for the Company to sell non-strategic assets and re-deploy the proceeds into new, high-quality developments and acquisitions that are expected to generate sustainable revenue growth and more attractive returns.

During 2009, the Company sold 100% of its ownership interest in one property in development for proceeds of $4.9 million, net of a note receivable taken by the Company of $8.9 million. The combined operating income and gain on the sale of this property and properties classified as held-for-sale were reclassified to discontinued operations. The revenues from properties included in discontinued operations were $1.8 million and $4.1 million, for the three months ended March 31, 2009 and 2008, respectively. The operating income and gains on sales of properties included in discontinued operations are reported net of income taxes, if the property is sold by the TRS, and are summarized as follows for the three months ended March 31, 2009 and 2008 respectively (in thousands):

	2009		2008	
	Operating Income	Gain on sale of Properties	Operating Income	Gain on sale of Properties
Operations and gain	$ 1,074	3,886	1,641	
Less: Income taxes				
Discontinued operations, net	$ 1,074	3,886	1,641	

4. Investments in Real Estate Partnerships

The Company s investments in real estate partnerships were $368.3 million and $383.4 million at March 31, 2009 and December 31, 2008, respectively. Net income or loss from these partnerships, which includes all operating results and gains on sales of properties within the joint ventures, is allocated to the Company in accordance with the respective partnership agreements. Net losses, if any, are primarily related to depreciation and amortization expense, but the partnerships produce positive cash flows from operations. Such allocations of net income or loss are recorded in equity in income of investments in real estate partnerships in the accompanying Consolidated Statements of Operations. The net difference between the carrying amount of these investments and the underlying equity in net assets was $49.1 million and $77.3 million at March 31, 2009 and December 31, 2008, respectively. For non-DIK-JV s, the net difference is accreted to income over the expected useful lives of the properties and other intangible assets, which range in lives from 10 to 40 years, whereas for DIK-JV s, the net difference is recognized at liquidation.

Cash distributions of earnings from operations from investments in real estate partnerships are presented in cash flows provided by operating activities in the accompanying Consolidated Statements of Cash Flows. Cash distributions from the sale of a property or loan proceeds received from the placement of debt on a property included in investments in real estate partnerships are presented in cash flows provided by investing activities in the accompanying Consolidated Statements of Cash Flows.

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Investments in real estate partnerships are primarily composed of co-investment partnerships where the Company invests with three co-investment partners and an open-end real estate fund (Regency Retail Partners or the Fund), as further described below. In addition to earning its pro-rata share of net income or loss in each of these partnerships, the Company receives market-based fees for asset management, property management, leasing, investment, and financing services. During the three months ended March 31, 2009 and 2008, the Company received fees from these co-investment partnerships of $7.8 million and $8.4 million, respectively.

Investments in real estate partnerships as of March 31, 2009 and December 31, 2008 consist of the following (in thousands):

	Ownership	2009	2008
Macquarie CountryWide-Regency (MCWR I)	25.00%	$ 4,312	11,137
Macquarie CountryWide Direct (MCWR I)	25.00%		3,760
Macquarie CountryWide-Regency II (MCWR II)	24.95%	195,041	197,602
Macquarie CountryWide-Regency III (MCWR III)	24.95%	532	623
Macquarie CountryWide-Regency-DESCO (MCWR-DESCO)	16.35%	21,154	21,924
Columbia Regency Retail Partners (Columbia I)	20.00%	29,564	29,704
Columbia Regency Partners II (Columbia II)	20.00%	12,230	12,858
Cameron Village LLC (Cameron)	30.00%	19,176	19,479
RegCal, LLC (RegCal)	25.00%	13,454	13,766
Regency Retail Partners (the Fund)	20.00%	23,423	23,838
Other investments in real estate partnerships	50.00%	49,427	48,717
Total		$ 368,313	383,408

Investments in real estate partnerships are reported net of deferred gains of $62.4 million and $88.3 million at March 31, 2009 and December 31, 2008, respectively. Cumulative deferred gain amounts related to each investment partnership are described below.

The Company co-invests with the Oregon Public Employees Retirement Fund (OPERF) in three co-investment partnerships, two of which the Company has ownership interests of 20% (Columbia I and Columbia II) and one in which the Company has an ownership interest of 30% (Cameron). The Company s investment in the three co-investment partnerships with OPERF totals $61.0 million and represents 1.4% of the Company s total assets at March 31, 2009. At March 31, 2009, the OPERF co-investment partnerships had total assets of $757.8 million and net income of $2.2 million for the three months ended and the Company s share of their total assets and net income was $163.6 million and approximately $431,000, respectively.

As of March 31, 2009, Columbia I owned 14 shopping centers, had total assets of $324.6 million, and net income of $2.3 million for the three months ended. The partnership agreement has a unilateral right to elect to dissolve the partnership and receive a DIK upon liquidation; therefore, the Company has applied the Restricted Gain Method to determine the amount of gain that the Company recognizes on property sales to Columbia I. During 2009, the Company did not sell any properties to Columbia I. Since the inception of Columbia I in 2001, the Company has recognized gain of $2.0 million on partial sales to Columbia I and deferred gain of $4.3 million. In December 2008, the Company earned and recognized a $19.7 million Portfolio Incentive Return fee from OPERF based on Columbia I s outperformance of the cumulative NCREIF index since the inception of the partnership and a cumulative hurdle rate as outlined in the partnership agreement. At March 31, 2009 and December 31, 2008, the Portfolio Incentive Return Fee was reflected in other receivables and the Company collected the receivable in full in April 2009.

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As of March 31, 2009, Columbia II owned 16 shopping centers, had total assets of $321.8 million, and net income of approximately $90,000 for the three months ended. The partnership agreement has a unilateral right to elect to dissolve the partnership and receive a DIK upon liquidation; therefore, the Company has applied the Restricted Gain Method to determine the amount of gain that the Company recognizes on property sales to Columbia II. During 2009, the Company did not sell any properties to Columbia II. Since the inception of Columbia II in 2004, the Company has recognized gain of $9.1 million on partial sales to Columbia II and deferred gain of $15.7 million.

As of March 31, 2009, Cameron owned one shopping center, had total assets of $111.4 million, and a net loss of approximately $121,000 for the three months ended. The partnership agreement does not contain any DIK provisions that would require the Company to apply the Restricted Gain Method. Since the inception of Cameron in 2004, the Company has not sold any properties to Cameron.

The Company co-invests with the California State Teachers Retirement System (CalSTRS) in a joint venture (RegCal) in which the Company has a 25% ownership interest. As of March 31, 2009, RegCal owned seven shopping centers, had total assets of $156.9 million, and net income of approximately $426,000 for the three months ended and the Company s share of its total assets and net income was $39.2 million and approximately $107,000, respectively. The partnership agreement has a unilateral right to elect to dissolve the partnership and receive a DIK upon liquidation; therefore, the Company has applied the Restricted Gain Method to determine the amount of gain that the Company recognizes on property sales to RegCal. During 2009, the Company did not sell any properties to RegCal. Since the inception of RegCal in 2004, the Company has recognized gain of $10.1 million on partial sales to RegCal and deferred gain of $3.4 million.

The Company co-invests with Macquarie CountryWide Trust of Australia (MCW) in four co-investment partnerships, one in which the Company has an ownership interest of 25% (MCWR I), two in which the Company has an ownership interest of 24.95% (MCWR II and MCWR III), and one in which the Company has an ownership interest of 16.35% (MCWR-DESCO). The Company s investment with MCW totals $221.0 million and represents 5.3% of the Company s total assets at March 31, 2009. At March 31, 2009, the MCW co-investment partnerships had total assets of $3.0 billion and net income of $2.9 million and the Company s share of their total assets and net income was $710.1 million and approximately $770,000, respectively.

As of March 31, 2009, MCWR I owned 14 shopping centers, had total assets of $163.3 million, and net income of $3.9 million for the three months ended. The partnership agreement has a unilateral right to elect to dissolve the partnership and receive a DIK upon liquidation; therefore, the Company has applied the Restricted Gain Method to determine the amount of gain the Company recognizes on property sales to MCWR I. During 2009, the Company did not sell any properties to MCWR I. Since the inception of MCWR I in 2001, the Company has recognized gain of $27.5 million on partial sales to MCWR I and deferred gain of $46.9 million. On January 14, 2009, under the terms of the MCWR I partnership agreement, MCW elected to dissolve the partnership. The Company is in the process of liquidating the partnership through a DIK, which provides for distribution of the properties to each partner under an alternating selection process, ultimately in proportion to the value of each partner s respective ownership interest in the partnership as of the date of liquidation. The total fair value of the properties was $467.3 million based on third party appraisals, net of debt. The three properties which the Company received as of March 31, 2009 through the DIK had a fair value of $92.1 million, net of debt, and were

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recorded at the net carrying value of the Company s equity investment of $21.1 million, net of deferred gain of $25.7 million. The dissolution is expected to be completed by the end of 2009 subject to required lender consents for ownership transfer and the Company will receive three additional properties. During 2009, MCWR I sold one shopping center to a third party for $7.8 million and recognized a gain of $3.7 million.

As of March 31, 2009, MCWR II owned 85 shopping centers, had total assets of $2.4 billion and a net loss of approximately $315,000 for the three months ended. In January 2009, the partnership agreement was amended to include a unilateral right to elect to dissolve the partnership and receive a DIK upon liquidation which will be effective January 1, 2010; therefore, the Company will apply the Restricted Gain Method if properties are sold to MCWR II beginning January 1, 2010. During 2009, the Company did not sell any properties to MCWR II. Since the inception of MCWR II in 2005, the Company has recognized gain of $2.3 million on partial sales to MCWR II and deferred gain of approximately $766,000.

As of March 31, 2009, MCWR III owned four shopping centers, had total assets of $66.4 million, and a net loss of approximately $8,000 for the three months ended. In January 2009, the partnership agreement was amended to include a unilateral right to elect to dissolve the partnership and receive a DIK upon liquidation which will be effective January 1, 2010; therefore, the Company will apply the Restricted Gain Method if properties are sold to MCWR III beginning January 1, 2010. During 2009, the Company did not sell any properties to MCWR III. Since the inception of MCWR III in 2005, the Company has recognized gain of $14.1 million on partial sales to MCWR III and deferred gain of $4.7 million.

As of March 31, 2009, MCWR-DESCO owned 32 shopping centers, had total assets of $391.4 million and recorded a net loss of approximately $625,000 for the three months ended. The partnership agreement does not contain any DIK provisions that would require the Company to apply the Restricted Gain Method. Since the inception of MCWR-DESCO in 2007, the Company has not sold any properties to MCWR-DESCO.

The Company co-invests with Regency Retail Partners (the Fund), an open-ended, infinite life investment fund in which the Company has an ownership interest of 20%. As of March 31, 2009, the Fund owned nine shopping centers, had total assets of $378.4 million, and recorded a net loss of $819,000 for the three months ended and the Company s share of its total assets and net loss was $75.6 million and approximately $110,000, respectively. The partnership agreement does not contain any DIK provisions that would require the Company to apply the Restricted Gain Method. During 2009, the Company did not sell any properties to the Fund. Since the inception of the Fund in 2006, the Company has recognized gain of $71.6 million on partial sales to the Fund and deferred gain of $17.9 million.

Summarized financial information for the investments in real estate partnerships on a combined basis, is as follows (in thousands):

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	March 31, 2009	December 31, 2008
Investment in real estate, net	$ 4,078,229	4,518,783
Acquired lease intangible assets, net	156,996	186,141
Other assets	162,947	157,806
Total assets	$ 4,398,172	4,862,730
Notes payable	$ 2,514,911	2,792,450
Acquired lease intangible liabilities, net	92,229	97,146
Other liabilities	78,594	83,814
Members or Partners capital	1,712,438	1,889,320
Total liabilities and capital	$ 4,398,172	4,862,730

Investments in real estate partnerships had notes payable of $2.5 billion and $2.8 billion as of March 31, 2009 and December 31, 2008, respectively, and the Company s proportionate share of these loans was $594.7 million and $664.1 million, respectively. The Company does not guarantee these loans except for two loans totaling $35.3 million related to its 50% investment interest in two single asset investments in real estate partnerships where the loan agreements contain several guarantees from each partner.

As of March 31, 2009, scheduled principal repayments on notes payable of the investments in real estate partnerships were as follows (in thousands):

Scheduled Principal Payments by Year:	Scheduled Principal Payments	Mortgage Loan Maturities	Unsecured Maturities	Total	Regency s Pro-Rata Share
2009	$ 3,003	107,120	12,848	122,971	23,089
2010	3,950	645,223	26,605	675,778	167,843
2011	3,624	462,916		466,540	115,396
2012	4,371	377,907		382,278	83,595
2013	4,153	32,447		36,600	8,985
Beyond 5 Years	32,905	791,249		824,154	194,461
Unamortized debt premiums, net		6,590		6,590	1,293
Total	$ 52,006	2,423,452	39,453	2,514,911	594,662

The revenues and expenses for the investments in real estate partnerships on a combined basis for the three months ended March 31, 2009 and 2008, respectively, are summarized as follows (in thousands):

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	For the three months ended March 31,	
	2009	2008
Total revenues	$ 109,839	122,740
Operating expenses:		
Depreciation and amortization	40,727	46,073
Operating and maintenance	16,878	17,939
General and administrative	1,614	2,188
Real estate taxes	15,489	15,550
Total operating expenses	74,708	81,750
Other expense (income):		
Interest expense, net	33,452	36,240
Gain on sale of real estate	(6,432)	(4,389)
Other income	35	35
Total other expense (income)	27,055	31,886
Net income	$ 8,076	9,104

5. Notes Receivable

The Company had notes receivable outstanding of $36.9 million and $31.4 million at March 31, 2009 and December 31, 2008, respectively. The notes receivable have fixed interest rates ranging from 6.0% to 10.0% with maturity dates through November 2014.

6. Acquired Lease Intangibles

The Company had acquired lease intangible assets, net of amortization, of $12.1 million and $12.9 million at March 31, 2009 and December 31, 2008, respectively, of which $11.7 million and $12.5 million, respectively relates to in-place leases. These in-place leases had a remaining weighted average amortization period of 6.1 years and the aggregate amortization expense recorded for these in-place leases was approximately $766,000 and $982,000 for the three months ended March 31, 2009 and 2008, respectively. The Company had above-market lease intangible assets, net of amortization, of approximately $416,000 and $442,000 at March 31, 2009 and December 31, 2008, respectively. The remaining weighted average amortization period was 4.2 years and the aggregate amortization expense recorded as a reduction to minimum rent for these above-market leases was approximately $26,000 and $29,000 for the three months ended March 31, 2009 and 2008, respectively.

The Company had acquired lease intangible liabilities, net of accretion, of $7.4 million and $7.9 million as of March 31, 2009 and December 31, 2008, respectively. The remaining weighted average accretion period is 4.7 years and the aggregate amount accreted as an increase to minimum rent for these below-market rents was approximately $507,000 and $577,000 for the three months ended March 31, 2009 and 2008, respectively.

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7. Income Taxes

Income tax (benefit) expense is included in other expenses in the accompanying Consolidated Statements of Operations and during the three months ended March 31, 2009 and 2008, the Company recorded an income tax benefit of approximately $190,000 and income tax expense of approximately $72,000, respectively.

During 2008, the Internal Revenue Service (IRS) commenced an examination of the Company s U.S. income tax returns for 2006 and 2007 which should be complete by June 2009. The IRS has not proposed any significant adjustments to the open tax years under audit.

8. Notes Payable and Unsecured Credit Facilities

The Company s outstanding debt at March 31, 2009 and December 31, 2008 consists of the following (in thousands):

	2009	2008
Notes payable:		
Fixed rate mortgage loans	$ 289,870	235,150
Variable rate mortgage loans	5,089	5,130
Fixed rate unsecured loans	1,597,720	1,597,624
Total notes payable	1,892,679	1,837,904
Unsecured credit facilities	367,667	297,667
Total	$ 2,260,346	2,135,571

During the three months ended March 31, 2009 and as a result of the in-process liquidation of MCWR I which began on January 14, 2009, the Company assumed mortgage loans of $17.0 million and $42.1 million with ten-year terms and interest rates of 6.13% and 6.38%, respectively.

On March 5, 2008, the Company entered into a Credit Agreement with Wells Fargo Bank and a group of other banks to provide the Company with a $341.5 million, three-year term loan facility (the Term Facility). The Term Facility includes a term loan amount of $227.7 million plus a $113.8 million revolving credit facility that is accessible at the Company s discretion. The term loan has a variable interest rate equal to LIBOR plus 105 basis points which was 2.36% and 3.30% at March 31, 2009 and December 31, 2008, respectively, and the revolving portion has a variable interest rate equal to LIBOR plus 90 basis points. The balance on the Term Facility was $227.7 million at March 31, 2009 and December 31, 2008.

The Company has a Line commitment (the Line) of $600.0 million and the right to expand the Line by an additional $150.0 million subject to additional lender syndication. The Line has a four-year term maturing in February 2011 with a one-year extension at the Company s option and a current interest rate of LIBOR plus 40 basis points subject to maintaining corporate credit and senior unsecured ratings at BBB+. Contractual interest rates were .96% and 1.34% at March 31, 2009 and December 31, 2008, respectively, based on LIBOR plus 40 basis points, respectively. The balance on the Line was $140.0 million and $70.0 million at March 31, 2009 and December 31, 2008, respectively.

Including both the Line commitment and the Term Facility (collectively, Unsecured credit facilities), the Company has $941.5 million of total capacity and the spread paid is dependent upon the Company maintaining specific investment-grade ratings. The Company is also required

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to comply with certain financial covenants such as Minimum Net Worth, Ratio of Total Liabilities to Gross Asset Value (GAV) and Ratio of Recourse Secured Indebtedness to GAV, Ratio of Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) to Fixed Charges, and other covenants customary with this type of unsecured financing. As of March 31, 2009, the Company is in compliance with all financial covenants for the Unsecured credit facilities. The Unsecured credit facilities are used primarily to finance the acquisition and development of real estate, but are also available for general working-capital purposes.

Notes payable consist of secured mortgage loans and unsecured public debt. Mortgage loans may be prepaid, but could be subject to yield maintenance premiums. Mortgage loans are generally due in monthly installments of principal and interest, and mature over various terms through 2018, whereas, interest on unsecured public debt is payable semi-annually and the debt matures over various terms through 2017. Fixed interest rates on mortgage loans range from 5.22% to 8.40% and average 6.32%. As of March 31, 2009, the Company had one variable rate mortgage loan in the amount of $5.1 million with an interest rate equal to LIBOR plus 100 basis points maturing on May 1, 2009. The Company has a commitment for a three-year extension and is currently negotiating new loan terms with the existing lender.

As of March 31, 2009, scheduled principal repayments on notes payable and the Unsecured credit facilities were as follows (in thousands):

Scheduled Principal Payments by Year:	**Scheduled Principal Payments**	**Mortgage Loan Maturities**	**Unsecured Maturities [a]**	**Total**
2009	3,912	5,089	50,000	59,001
2010	5,393	17,043	160,000	182,436
2011	5,291	11,276	607,667	624,234
2012	5,609		250,000	255,609
2013	5,536	16,353		21,889
Beyond 5 Years	13,080	207,127	900,000	1,120,207
Unamortized debt discounts, net		(751)	(2,279)	(3,030)
Total	$ 38,821	256,137	1,965,388	2,260,346

[a] Includes unsecured public debt and Unsecured credit facilities

9. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company s known or expected cash payments principally related to the Company s borrowings.

Cash Flow Hedges of Interest Rate Risk

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The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2009, such derivatives were used to hedge the variable cash flows associated with forecasted issuances of debt (see Objectives and Strategies below for further discussion). The ineffective portion of the change in fair value of the derivatives will be amortized over the original terms of the hedged loans and recognized directly in earnings as interest expense. During the three months ended March 31, 2009 and 2008, the Company had no hedge ineffectiveness that was recognized in earnings.

Realized losses associated with the interest rate swaps settled in 2004 and 2005 and unrealized gains or losses associated with the swaps entered into in 2006 have been included in accumulated other comprehensive loss in the accompanying Consolidated Statement of Equity and Comprehensive Income (Loss). Unrealized gains or losses will not be amortized until such time that the probable debt issuances are completed as long as the interest rate swaps continue to qualify for hedge accounting.

The tables below represent the effect of the derivative financial instruments on the accompanying Consolidated Statements of Operations (in thousands):

Derivatives in Statement 133 Cash Flow Hedging Relationships:	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) March 31,		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) March 31,	
	2009	2008		2009	2008
Interest rate products	$ 327	327	Interest expense	$ 327	327

The unamortized balance of the settled interest rate swaps at March 31, 2009 and December 31, 2008 was $7.4 million and $7.8 million, respectively.

As of March 31, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollars in thousands):

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Notional Value	Interest Rate	Maturity	Fair Value
$ 98,350	5.399%	01/15/20	$ (16,778)
100,000	5.415%	09/15/20	(13,925)
98,350	5.399%	01/15/20	(16,802)
100,000	5.415%	09/15/20	(13,976)
$ 396,700			$ (61,481)