

Paramount Group, Inc.
Form 10-Q
May 15, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: March 31, 2015

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: 001-36746

PARAMOUNT GROUP, INC.

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(Exact name of registrant as specified in its charter)

Maryland 32-0439307
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

1633 Broadway, Suite 1801, New York, NY 10019
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 237-3100

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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, 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.

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer (Do not check if 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

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As of April 30, 2015, there were 212,106,718 shares of the registrant's common stock outstanding.

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PART I – FINANCIAL INFORMATION - ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PARAMOUNT GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)	The Company	
ASSETS	March 31, 2015	December 31, 2014
Rental property, at cost		
Land	\$2,042,071	\$2,042,071
Buildings and improvements	5,503,475	5,488,168
	7,545,546	7,530,239
Accumulated depreciation and amortization	(121,165)	(81,050)
Rental property, net	7,424,381	7,449,189
Real estate fund investments at fair value	324,282	323,387
Investments in partially owned entities	6,370	5,749
Cash and cash equivalents	380,889	438,599
Restricted cash	53,864	55,728
Marketable securities	21,386	20,159
Deferred rent receivable	24,261	8,267
Accounts and other receivables, net of allowance of \$333 in 2015 and 2014, respectively	12,863	7,692
Deferred charges, net of accumulated amortization of \$11,853 and \$10,859 in 2015 and 2014, respectively	43,713	39,165
Intangible assets, net of accumulated amortization of \$57,397 and \$20,509 in 2015 and 2014, respectively	629,021	669,385
Other assets	31,948	13,121
Total assets	\$8,952,978	\$9,030,441
LIABILITIES AND EQUITY		
Mortgages and notes payable	\$2,852,754	\$2,852,287
Credit facility	-	-
Due to affiliates	27,299	27,299
Loans payable to noncontrolling interests	43,188	42,195
Accounts payable and accrued expenses	78,282	93,472
Deferred income taxes	3,183	2,861
Interest rate swap liabilities	182,218	194,196
Intangible liabilities, net of accumulated amortization of \$11,939 and \$3,757 in 2015 and 2014, respectively	210,964	219,228
Other liabilities	45,742	43,950
Total liabilities	3,443,630	3,475,488
Commitments and contingencies		
Paramount Group, Inc. equity:		

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Common stock \$0.01 par value per share; authorized 900,000,000 shares; issued and outstanding 212,106,718 shares in 2015 and 2014, respectively	2,122	2,122
Additional paid-in-capital	3,808,193	3,851,432
Retained earnings	19,058	57,308
Paramount Group, Inc. equity	3,829,373	3,910,862
Noncontrolling interests in:		
Consolidated joint ventures and funds	685,176	685,888
Operating Partnership (51,543,993 units outstanding in 2015 and 2014, respectively)	994,799	958,203
Total equity	5,509,348	5,554,953
Total liabilities and equity	\$8,952,978	\$9,030,441

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)	The Company Three months ended March 31, 2015
REVENUES:	
Rental income	\$ 143,243
Tenant reimbursement income	13,488
Fee and other income	4,495
Total revenues	161,226
EXPENSES:	
Operating	61,884
Depreciation and amortization	73,583
General and administrative	12,613
Total expenses	148,080
Operating income	13,146
Income from real estate fund investments	5,221
Income from partially owned entities	975
Unrealized gains on interest rate swaps	11,978
Interest and other income, net	854
Interest and debt expense	(41,888)
Acquisition and transaction related costs	(1,139)
Net loss before income taxes	(10,853)
Income tax expense	(574)
Net loss	(11,427)
Less net (income) loss attributable to noncontrolling interests in:	
Consolidated joint ventures and funds	(668)
Operating Partnership	2,364
Net loss attributable to Paramount Group, Inc.	\$(9,731)
 LOSS PER COMMON SHARE - BASIC:	
Loss per common share	\$(0.05)
Weighted average shares outstanding	212,106,718
 LOSS PER COMMON SHARE - DILUTED:	
Loss per common share	\$(0.05)
Weighted average shares outstanding	212,106,718

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT PREDECESSOR

COMBINED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

(Amounts in thousands)	The Predecessor Three months ended March 31, 2014
REVENUES:	
Rental income	\$ 7,813
Tenant reimbursement income	455
Distributions from real estate fund investments	6,503
Realized and unrealized gains, net	46,167
Fee and other income	5,182
Total revenues	66,120
EXPENSES:	
Operating	3,539
Depreciation and amortization	2,667
General and administrative	8,085
Profit sharing compensation	4,794
Other	1,267
Total expenses	20,352
Operating income	45,768
Income from partially owned entities	1,132
Unrealized gains on interest rate swaps	158
Interest and other income, net	709
Interest and debt expense	(7,799)
Net income before income taxes	39,968
Income tax expense	(3,263)
Net income	36,705
Net income attributable to noncontrolling interests	(27,310)
Net income attributable to the Predecessor	\$ 9,395

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC. AND PARAMOUNT PREDECESSOR

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(Amounts in thousands)	Common Shares				Predecessor Shareholders' Equity	Noncontrolling interests in Consolidated joint ventures and funds		Operating Partnership	Total Equity
	Shares	Amount	Additional paid in capital	Retained Earnings					
The Predecessor									
Balance as of December 31, 2013	-	\$-	\$-	\$-	\$ 321,769	\$ 1,703,675	\$-		\$2,025,444
Net income	-	-	-	-	9,395	27,310	-		36,705
Contributions	-	-	-	-	399	77,929	-		78,328
Distributions	-	-	-	-	(22,671)	-	-		(22,671)
Balance as of March 31, 2014	-	\$-	\$-	\$-	\$ 308,892	\$ 1,808,914	\$-		\$2,117,806
The Company									
Balance as of December 31, 2014	212,107	\$2,122	\$3,851,432	\$57,308	\$-	\$685,888	\$958,203		\$5,554,953
Net (loss) income	-	-	-	(9,731)	-	668	(2,364)		(11,427)