WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 quarter 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 1-9876

Weingarten Realty Investors
(Exact name of registrant as specified in its charter)

TEXAS (State or other jurisdiction of incorporation or organization)	74-1464203 (IRS Employer Identification No.)
2600 Citadel Plaza Drive P.O. Box 924133 Houston, Texas (Address of principal executive offices)	77292-4133 (Zip Code)

(713) 866-6000
(Registrant's telephone number)

(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 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 April 30, 2009, there were 119,605,247 common shares of beneficial interest of Weingarten Realty Investors, $.03 par value, outstanding.

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PART I-FINANCIAL INFORMATION

ITEM 1. Financial Statements

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2009	2008
Revenues:		
Rentals, net	$145,192	$148,785
Other	4,069	2,717
Total	149,261	151,502
Expenses:		
Depreciation and amortization	38,848	42,497
Operating	24,084	26,184
Ad valorem taxes, net	18,459	17,777
General and administrative	6,000	6,854
Total	87,391	93,312
Operating Income	61,870	58,190
Interest Expense, net	(39,557)	(37,538)
Interest and Other Income, net	1,264	1,049
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	3,662	5,247
Gain on Merchant Development Sales	14,122	519
Provision for Income Taxes	(4,964)	(747)
Income from Continuing Operations	36,397	26,720
Operating Income from Discontinued Operations	180	2,060
Gain on Sale of Property from Discontinued Operations	739	8,370
Income from Discontinued Operations	919	10,430
Gain on Sale of Property	6,494	12
Net Income	43,810	37,162
Less: Net Income Attributable to Noncontrolling Interests	(1,795)	(1,826)
Net Income Adjusted for Noncontrolling Interests	42,015	35,336
Dividends on Preferred Shares	(8,869)	(8,618)
Net Income Available to Common Shareholders	$33,146	$26,718
Earnings Per Common Share - Basic:		
Income from continuing operations adjusted for noncontrolling interests	$0.37	$0.20
Income from discontinued operations	0.01	0.12
Net income adjusted for noncontrolling interests	$0.38	$0.32
Earnings Per Common Share - Diluted:		
Income from continuing operations adjusted for noncontrolling interests	$0.37	$0.20
Income from discontinued operations	0.01	0.12
Net income adjusted for noncontrolling interests	$0.38	$0.32

Comprehensive Income:		
Net Income	$43,810	$37,162
Other Comprehensive Income (Loss):		
Loss on derivatives	-	(7,204)
Amortization of loss on derivatives	619	219
Total	619	(6,985)
Comprehensive Income	44,429	30,177
Comprehensive Income Attributable to Noncontrolling Interests	(1,795)	(1,826)
Comprehensive Income Adjusted for Noncontrolling Interests	$42,634	$28,351

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	March 31, 2009	December 31, 2008
ASSETS		
Property	$4,915,778	$4,915,472
Accumulated Depreciation	(832,698)	(812,323)
Property Held for Sale, net	7,173	-
Property, net	4,090,253	4,103,149
Investment in Real Estate Joint Ventures and Partnerships, net	358,353	357,634
Total	4,448,606	4,460,783
Notes Receivable from Real Estate Joint Ventures and Partnerships	249,553	232,544
Unamortized Debt and Lease Costs, net	116,138	119,464
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $12,365 in 2009 and $12,412 in 2008)	79,841	103,873
Cash and Cash Equivalents	118,260	58,946
Restricted Deposits and Mortgage Escrows	13,346	33,252
Other, net	86,780	105,350
Total	$5,112,524	$5,114,212
LIABILITIES AND EQUITY		
Debt, net	$3,169,700	$3,148,636
Accounts Payable and Accrued Expenses	145,846	179,432
Other, net	90,257	90,461
Total	3,405,803	3,418,529
Commitments and Contingencies	41,000	41,000
Equity:		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 10,000		
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued and outstanding in 2009 and 2008; liquidation preference $75,000	3	3
6.95% Series E cumulative redeemable preferred shares of beneficial interest; 29 shares issued and outstanding in 2009 and 2008; liquidation preference $72,500	1	1
6.5% Series F cumulative redeemable preferred shares of beneficial interest; 140 shares issued and outstanding in 2009 and 2008; liquidation preference $350,000	4	4
Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 150,000; shares issued and outstanding: 87,406 in 2009 and 87,102 in 2008	2,634	2,625
Accumulated Additional Paid-In Capital	1,518,910	1,514,940
Net Income Less Than Accumulated Dividends	(49,987)	(37,245)
Accumulated Other Comprehensive Loss	(29,057)	(29,676)

Shareholders' Equity	1,442,508	1,450,652
Noncontrolling Interests	223,213	204,031
Total Equity	1,665,721	1,654,683
Total	$5,112,524	$5,114,212

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2009	2008
Cash Flows from Operating Activities:		
Net Income	$43,810	$37,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,912	43,505
Amortization of deferred financing costs and debt discount	3,687	3,236
Equity in earnings of real estate joint ventures and partnerships, net	(3,662)	(5,247)
Gain on merchant development sales	(14,122)	(519)
Gain on sale of property	(7,233)	(8,382)
Distributions of income from unconsolidated real estate joint ventures and partnerships	1,245	1,747
Changes in accrued rent and accounts receivable, net	21,843	(4,389)
Changes in other assets, net	11,452	(8,117)
Changes in accounts payable and accrued expenses	(38,077)	(48,703)
Other, net	2,494	(720)
Net cash provided by operating activities	60,349	9,573
Cash Flows from Investing Activities:		
Investment in property	(38,949)	(65,699)
Proceeds from sale and disposition of property, net	67,296	80,578
Change in restricted deposits and mortgage escrows	19,906	7,818
Notes receivable from real estate joint ventures and partnerships and other receivables:		
Advances	(19,808)	(42,850)
Collections	4,103	4,860
Real estate joint ventures and partnerships:		
Investments	(151)	(591)
Distributions of capital	3,056	7,037
Net cash provided by (used in) investing activities	35,453	(8,847)
Cash Flows from Financing Activities:		
Proceeds from issuance of:		
Debt	25,000	175,240
Common shares of beneficial interest, net		786
Principal payments of debt	(4,653)	(126,179)
Common and preferred dividends paid	(54,101)	(52,674)
Debt issuance costs paid	(2,760)	(609)
Other, net	26	(1,579)
Net cash used in financing activities	(36,488)	(5,015)
Net increase (decrease) in cash and cash equivalents	59,314	(4,289)
Cash and cash equivalents at January 1	58,946	65,777
Cash and cash equivalents at March 31	$118,260	$61,488

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands, except per share amounts)

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Treasury Shares of Beneficial Interest	Accumulated Additional Paid-In Capital	Net Income in Excess of Accumulated Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2008	$ 8	$ 2,565	$ (41)	$ 1,485,496	$ 31,639	$ (15,475)	$ 96,885	$ 1,601,077
Net income					35,336		1,826	37,162
Shares issued in exchange for noncontrolling interests				246			(246)	-
Shares issued under benefit plans		4		1,907				1,911
Dividends declared – common shares (1)					(44,056)			(44,056)
Dividends declared – preferred shares (2)					(8,618)			(8,618)
Sale of properties with noncontrolling interests							65,359	65,359
Treasury shares cancelled (3)		(41)	41					-
Distributions to noncontrolling interests							(4,120)	(4,120)
Other comprehensive loss						(6,985)		(6,985)
Other, net							745	745
Balance, March 31, 2008	$ 8	$ 2,528	$ -	$ 1,487,649	$ 14,301	$ (22,460)	$ 160,449	$ 1,642,475

(1) Common dividends per share were $.525 for the three months ended March 31, 2008.
(2) Series D, E, F and G preferred dividends per share were $12.66, $43.44, $40.63 and $38.40, respectively, for the three months ended March 31, 2008.
(3) A total of 1.4 million common shares of beneficial interest were purchased in 2007 and subsequently retired on January 11, 2008.

Total

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Accumulated Additional Paid-In Capital	Net Income Less Than Accumulated Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	
Balance, January 1, 2009	$8	$2,625	$ 1,514,940	$ (37,245)	$ (29,676)	$ 204,031	$1,654,683
Net income				42,015		1,795	43,810
Shares issued in exchange for noncontrolling interests		2	1,618			(1,620)	-
Shares issued under benefit plans		7	1,700				1,707
Dividends declared – common shares (1)				(45,888)			(45,888)
Dividends declared – preferred shares (2)				(8,213)			(8,213)
Sale of properties with noncontrolling interests						23,521	23,521
Distributions to noncontrolling interests						(4,525)	(4,525)
Other comprehensive loss					619		619
Other, net			652	(656)		11	7
Balance, March 31, 2009	$8	$2,634	$ 1,518,910	$ (49,987)	$ (29,057)	$ 223,213	$1,665,721

(1) Common dividends per share were $.525 for the three months ended March 31, 2009.

(2) Series D, E and F preferred dividends per share were $12.66, $43.44 and $40.63, respectively, for the three months ended March 31, 2009.

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Interim Financial Statements

Business
Weingarten Realty Investors is a real estate investment trust ("REIT") organized under the Texas Real Estate Investment Trust Act. We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping and industrial centers we own or lease. We also manage centers for joint ventures in which we are partners or for other outside owners for which we charge fees.

We operate a portfolio of properties that include neighborhood and community shopping centers and industrial properties of approximately 72.5 million square feet. We have a diversified tenant base with our largest tenant comprising only 2.7% of total rental revenues during 2009.

We currently operate, and intend to operate in the future, as a real REIT.

Basis of Presentation
Our condensed consolidated financial statements include the accounts of our subsidiaries and certain partially owned real estate joint ventures or partnerships which meet the guidelines for consolidation. All intercompany balances and transactions have been eliminated.

The condensed consolidated financial statements included in this report are unaudited; however, amounts presented in the condensed consolidated balance sheet as of December 31, 2008 are derived from our audited financial statements at that date. In our opinion, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and certain information included in our annual financial statements and notes has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2008.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. Such statements require management to make estimates and assumptions that affect the reported amounts on our condensed consolidated financial statements. Actual results could differ from these estimates.

Restricted Deposits and Mortgage Escrows
Restricted deposits and mortgage escrows consist of escrow deposits held by lenders primarily for property taxes, insurance and replacement reserves, and restricted cash that is held for a specific use or in a qualified escrow account for the purposes of completing like-kind exchange transactions. At March 31, 2009 and December 31, 2008, we had \$2.5 million and \$22.5 million of restricted cash, respectively, and \$10.8 million held in escrow related to our mortgages for both periods, respectively.

Per Share Data

Earnings per common share – basic is computed using net income available to common shareholders and the weighted average shares outstanding. Earnings per common share – diluted include the effect of potentially dilutive securities. Income from continuing operations adjusted for noncontrolling interests includes gain on sale of property in accordance with SEC guidelines. Earnings per common share – basic and diluted components for the periods indicated are as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Numerator:		
Net income available to common shareholders – basic and diluted	$33,146	$26,718
Denominator:		
Weighted average shares outstanding – basic	86,979	83,679
Effect of dilutive securities:		
Share options and awards	352	488
Weighted average shares outstanding – diluted	87,331	84,167

Options to purchase common shares of beneficial interest ("common shares") of 3.2 million and 2.1 million for the three months ended March 31, 2009 and 2008, respectively, were not included in the calculation of net income per common share – diluted as the exercise prices were greater than the average market price for the period. For the three months ended March 31, 2009 and 2008, 2.2 million and 2.4 million, respectively, of operating partnership units were not included in the calculation of net income per common share – diluted because these units had an anti-dilutive effect.

As of April 22, 2009, we sold 32.2 million common shares at a share price of $14.25. Had this transaction occurred on January 1, 2009, earnings per common share – basic and diluted for the three months ended March 31, 2009 would have both decreased by $.10.

Cash Flow Information

We issued common shares valued at $1.6 million and $.2 million for the three months ended March 31, 2009 and 2008, respectively, in exchange for interests in real estate joint ventures and partnerships, which had been formed to acquire properties. We also accrued $27.4 million and $17.4 million as of March 31, 2009 and 2008, respectively, associated with the construction of property. Cash payments for interest on debt, net of amounts capitalized, of $58.8 million and $61.2 million were made during the three months ended March 31, 2009 and 2008, respectively. A cash payment of $2.2 million for income taxes was made during the three months ended March 31, 2008, and no income tax payments were made during the three months ended March 31, 2009.

In connection with the sale of improved properties, we received notes receivable totaling $3.6 million during the three months ended 2008.

Accumulated Other Comprehensive Loss

As of March 31, 2009, the balance in accumulated other comprehensive loss relating to derivatives and our retirement liability was $16.3 million and $12.8 million, respectively. As of December 31, 2008, the balance in accumulated other comprehensive loss relating to derivatives and our retirement liability was $16.9 million and $12.8 million, respectively.

Reclassifications

The reclassification of prior years' operating results for the three months ending March 31, 2008 for certain properties to discontinued operations was made to conform to the current year presentation. For the same period, we also reclassified in our Condensed Consolidated Statement of Cash Flows amortization of deferred financing costs from changes in other assets, net to amortization of deferred financing costs and debt discount in order to be consistent with current industry standards. These reclassifications had no impact on previously reported net income, net income per share, the condensed consolidated balance sheet or cash flows from operating activities.

Retrospective Application of Accounting Principles
The retrospective application of adopting new accounting principles on prior years' condensed consolidated financial statements was made to conform to the current year presentation. The impact of these changes is described in Note 2.

Note 2. Newly Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 157-2 ("FSP 157-2"), "Effective Date of FASB Statement No. 157," which deferred the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" relating to nonfinancial assets and liabilities, and delayed implementation by us until January 1, 2009. Adoption of FSP 157-2 has not materially affected our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141R"), "Business Combinations." SFAS 141R expands the original guidance's definition of a business. It broadens the fair value measurement and recognition to all assets acquired, liabilities assumed and interests transferred as a result of business combinations. SFAS 141R requires expanded disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for us for business combinations made on or after January 1, 2009. Due to current economic conditions, we do not plan any significant acquisitions in the upcoming year, thereby upon adoption, there was no material effect. However, SFAS 141R could have a material effect on our accounting for future acquisition of properties.

In December 2007, the FASB issued SFAS No. 160 ("SFAS 160"), "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." SFAS 160 requires that, in most cases, a noncontrolling interest in a consolidated entity be reported as equity and any losses in excess of a consolidated entity's equity interest be recorded to the noncontrolling interest. The statement requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS 160 was effective for us on January 1, 2009, and many provisions required retrospective application. The adoption of SFAS 160 has resulted in an increase to equity in the Condensed Consolidated Balance Sheet as of December 31, 2008 of $204.0 million for the reclassification of minority interest to equity for noncontrolling interest in consolidated entities. Also, net income in the Condensed Consolidated Statement of Income and Comprehensive Income for the three months ended March 31, 2008 has increased by $1.8 million for the reclassification of income allocated to minority interests; however, net income available to common shareholders, earnings per common share – basic and diluted were not affected by this reclassification. Additional disclosures due to the implementation of SFAS 160 are included in Note 19.

In March 2008, the FASB issued SFAS No. 161 ("SFAS 161"), "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133." SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities. SFAS 161 is effective for us on January 1, 2009. Implementation of SFAS 161 has resulted in additional disclosures included in Note 4.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 ("FSP APB 14-1"), "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB 14-1 requires that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component in a manner that will reflect our effective nonconvertible borrowing rate. The resulting debt discount will be amortized using the effective interest method over the period the debt is expected to be outstanding as additional interest expense. FSP APB 14-1 was effective for us on January 1, 2009 and requires retroactive application. Upon the adoption of FSP APB 14-1, the Condensed Consolidated Balance Sheet as of December 31, 2008 was adjusted to reflect a reduction in debt of approximately $22.9 million for the unamortized debt discount, accumulated additional paid-in capital increased by approximately $39.5 million and net income less than accumulated dividends increased by approximately $17.1 million. The Condensed Consolidated

Statement of Income and Comprehensive Income for the three months ended March 31, 2008 was adjusted for incremental interest expense of $2.0 million, which reduced both earnings per common share – basic and diluted by approximately $0.02.

In November 2008, the FASB's Emerging Issues Task Force ("EITF") issued Issue 08-6 ("EITF 08-6"), "Equity Method Investment Accounting Considerations." EITF 08-6 requires an investment accounted for under the equity method to be evaluated and recorded in accordance with SFAS 141R business combinations definition and modeling. EITF 08-6 is effective for us for equity method investments made on or after January 1, 2009. Due to current economic conditions, we do not plan to enter into any significant equity method investments in the upcoming year, thereby upon adoption, there was no material effect. However, EITF 08-6 could have a material effect on our accounting for future equity method investments.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1 ("FSP 107-1"), "Interim Disclosures about Fair Value of Financial Instruments." FSP 107-1 amends FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" to require annual disclosures to be made also during interim reporting periods. Implementation of FSP 107-1 will result in certain additional disclosures to be included in our interim condensed consolidated financial statements beginning with our Form 10-Q for the quarter ending June 30, 2009.

Note 3. Variable Interest Entities

Management determines whether an entity is a variable interest entity ("VIE") and, if so, determines which party is the primary beneficiary by analyzing which party absorbs a majority of the expected losses or a majority of the expected residual returns of the VIE, or both. Significant judgments and assumptions inherent in this analysis include the design of the entity structure, the nature of the entity's operations, future cash flow projections, the entity's financing and capital structure, and contractual relationships and terms. We consolidate a VIE when we have determined that we are the primary beneficiary. Assets held by VIEs which are currently consolidated approximate $297.3 million and $241.9 million at March 31, 2009 and December 31, 2008, respectively. Entities for which we are the primary beneficiary and we consolidate are described below.

In March 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate fair value of approximately $227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. The activities of this venture principally consist of owning and operating these shopping centers. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients and received proceeds of approximately $216.1 million. Financing totaling $154.3 million was placed on the properties and guaranteed solely by us for tax planning purposes. This venture is deemed to be a variable interest entity and, due to our guaranty of the debt, we are the primary beneficiary and have consolidated this joint venture. Our maximum exposure to loss associated with this joint venture is primarily limited to our guaranty of the debt, which was approximately $154.3 million at March 31, 2009.

We also contributed eight neighborhood/community shopping centers with an aggregate fair value of approximately $205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture in November 2008. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. The activities of this venture principally consist of owning and operating these shopping centers. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC and received proceeds of approximately $121.8 million. Financing totaling $100.0 million was placed on the properties and guaranteed solely by us for tax planning purposes.

During the three months ended March 31, 2009, we contributed the final four properties to the joint venture with Hines REIT Retail Holdings, LLC with an aggregate fair value of approximately $66.8 million, and aggregating approximately 0.4 million square feet. These four shopping centers are located one each in Florida and North Carolina and two in Georgia, and we received net proceeds of approximately $20.6 million. These contributions included loan assumptions on each of the properties, which transferred secured debt totaling approximately $34.6 million to the joint venture and guaranteed solely by us. This venture is deemed to be a variable interest entity and, due to our guaranty of the debt, we are the primary beneficiary and have consolidated this joint venture. Our maximum exposure to loss associated with this joint venture is primarily limited to our guaranty of the debt, which was approximately $114.7 million at March 31, 2009.

Restrictions on the use of these assets are significant because they are secured as collateral for their debt, and we would be required to obtain our partners' approval in accordance with the partnership agreements on any major transactions. The impact of these transactions on our consolidated financial statements has been limited to changes in noncontrolling interests and reductions in debt from our partners' contributions.

In addition, we have an unconsolidated joint venture with an interest in an entity which is deemed to be a VIE as described. In July 2008, a 47.75%-owned unconsolidated real estate joint venture acquired an 83.34% interest in a joint venture owning a 919,000 square foot new development to be constructed in Aurora, Colorado. The unconsolidated joint venture provided a guaranty on debt obtained by the acquired joint venture. The unconsolidated joint venture's maximum exposure to loss is limited to the guaranty of the debt, which was approximately $35.9 million at March 31, 2009.

Note 4. Derivatives and Hedging

In order to manage our interest rate risk, we occasionally hedge the future cash flows of our debt transactions, as well as changes in the fair value of our debt instruments, principally through interest rate swaps with major financial institutions. In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," we recognize all derivatives as either assets or liabilities at fair value and have designated our current interest rate swaps as fair value hedges of fixed rate borrowings. At March 31, 2009 and December 31, 2008, we had two interest rate swap contracts designated as fair value hedges with an aggregate notional amount of $50.0 million that convert fixed interest payments at rates of 4.2% to variable interest payments of 1.2% and 2.0% at March 31, 2009 and December 31, 2008, respectively. We have determined that they are highly effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in variable interest rates.

Changes in the fair value of interest rate swap contracts designated as fair value hedges, as well as changes in the fair value of the related debt being hedged, are recorded in earnings each reporting period. For the three months ended March 31, 2009 and 2008, these changes in fair value offset. For the three months ended March 31, 2009, the offsetting loss or gain on the interest rate swaps is as follows:

Income Statement Classification	Gain (Loss) on Swaps	Gain (Loss) on Borrowings
Interest expense, net	$ (540)	$ 540

The derivative instruments at March 31, 2009 were reported at their fair values in other assets, net of accrued interest, of $4.4 million, and we had no derivative instruments reported in other liabilities. At December 31, 2008, derivative instruments were reported at their fair values in other assets, net of accrued interest, of $4.6 million, and we had no derivative instruments reported in other liabilities.

As of March 31, 2009 and December 31, 2008, the balance in accumulated other comprehensive loss relating to settled cash flow interest rate contracts was $16.3 million and $16.9 million, respectively. Amounts amortized to interest expense were $.6 million and $.2 million during the three months ended March 31, 2009 and 2008, respectively. Within the next 12 months, approximately $2.8 million of the balance in accumulated other comprehensive loss is expected to be amortized to interest expense.

For the three months ended March 31, 2009 and 2008, the interest rate swaps decreased interest expense and increased net income by $.4 million and $.2 million, respectively, and decreased the average interest rate of our debt by .04% and .02%, respectively. We could be exposed to losses in the event of nonperformance by the counter-parties; however, management believes the likelihood of such nonperformance is unlikely.

A summary of our derivatives for the three months ended March 31, 2009 is as follows (in thousands):

Derivatives Hedging Relationships	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative
Cash Flow Interest Rate Contracts	Interest expense, net	$ (619)		
Fair Value Interest Rate Contracts			Interest expense, net	$ (540)

Note 5. Debt

Our debt consists of the following (in thousands):

	March 31, 2009	December 31, 2008
Debt payable to 2030 at 4.5% to 8.8%	$2,728,707	$2,732,574
Unsecured notes payable under revolving credit agreements	408,000	383,000
Obligations under capital leases	29,725	29,725
Industrial revenue bonds payable to 2015 at 0.1% to 2.4%	3,268	3,337
Total	$3,169,700	$3,148,636

The grouping of total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

	March 31, 2009	December 31, 2008
As to interest rate (including the effects of interest rate swaps):		
Fixed-rate debt	$2,691,433	$2,699,609
Variable-rate debt	478,267	449,027
Total	$3,169,700	$3,148,636
As to collateralization:		
Unsecured debt	$2,143,297	$2,116,491
Secured debt	1,026,403	1,032,145
Total	$3,169,700	$3,148,636

We have a $575 million unsecured revolving credit facility held by a syndicate of banks that expires in February 2010 and provides a one-year extension option available at our request. Borrowing rates under this facility float at a margin over LIBOR, plus a facility fee. The borrowing margin and facility fee, which are currently 60.0 and 15.0 basis points, respectively, are priced off a grid that is tied to our senior unsecured credit ratings. This facility retains a competitive bid feature that allows us to request bids for amounts up to $287.5 million from each of the syndicate banks, potentially allowing us to obtain pricing below what we would pay using the pricing grid.

At March 31, 2009 and December 31, 2008, the balance outstanding under the revolving credit facility was $408.0 million at a variable interest rate of 1.0% and $383.0 million at a variable interest rate of 1.6%, respectively. We also have an agreement for a $30 million unsecured and uncommitted overnight facility with a bank that we use for cash management purposes, of which no amounts were outstanding at March 31, 2009 or December 31, 2008. Letters of credit totaling $10.1 million were outstanding under the revolving credit facility at March 31, 2009 and December 31, 2008. The available balance under our revolving credit agreement was $156.9 million and $181.9 million at March 31, 2009 and December 31, 2008, respectively. During the three months ended March 31, 2009, the maximum balance and weighted average balance outstanding under both facilities combined were $423.0 million and $376.7 million, respectively, at a weighted average interest rate of 1.3%. During 2008, the maximum balance and weighted average balance outstanding under both facilities combined were $503.0 million and $362.0 million, respectively, at a weighted average interest rate of 3.4%. At March 31, 2009, we had $30.6 million invested in overnight cash instruments.

At March 31, 2009 and December 31, 2008, we have $537.2 million face value of 3.95% convertible senior unsecured notes outstanding due 2026. These bonds are recorded at a discount of $20.8 million and $22.9 million as of March 31, 2009 and December 31, 2008, respectively, resulting in an effective rate of 5.75%. Interest is payable semi-annually in arrears on February 1 and August 1 of each year. The debentures are convertible under certain circumstances for our common shares at an initial conversion rate of 20.3770 common shares per $1,000 of principal amount of debentures (an initial conversion price of $49.075). In addition, the conversion rate may be adjusted if certain change in control transactions or other specified events occur on or prior to August 4, 2011. Upon the conversion of debentures, we will deliver cash for the principal return, as defined, and cash or common shares, at our option, for the excess of the conversion value, as defined, over the principal return. The debentures are redeemable for cash at our option beginning in 2011 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures for cash equal to the principal of the debentures plus accrued and unpaid interest in 2011, 2016 and 2021 and in the event of a change in control. Subsequent to March 2009, we repurchased and retired an additional $67.0 million face value of these notes for $56.4 million, including accrued interest. These notes are reflected at their maturity date in our scheduled principal payments schedule below.

In connection with the issuance of these debentures, we filed a registration statement related to the resale of the debentures and the common shares issuable upon the conversion of the debentures. This registration statement has been declared effective by the SEC.

Subsequent to March 2009, we entered into a $103 million secured loan from a major life insurance company. The loan is for approximately 8.5 years at an interest rate of 7.49% and will be secured by four properties.

In November 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued $100.0 million of fixed-rate secured long-term debt with a five year term at a rate of 6.0% that we guaranteed. The net proceeds received from the issuance of this debt were used to reduce amounts outstanding under our $575 million revolving credit facility.

In March 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued $154.3 million of fixed-rate secured long-term debt with an average life of 7.3 years at an average rate of 5.4% that we guaranteed. We received all of the proceeds from the issuance of this debt and such proceeds were used to reduce amounts outstanding under our $575 million revolving credit facility.

In January 2008, we elected to repay at par a fixed-rate 8.33% mortgage totaling $121.8 million that was secured by 19 supermarket-anchored shopping centers in California.

Various leases and properties, and current and future rentals from those lease and properties, collateralize certain debt. At March 31, 2009 and December 31, 2008, the carrying value of such property aggregated $1.7 billion and $1.8 billion, respectively.

Scheduled principal payments on our debt (excluding $408.0 million due under our revolving credit agreements, $21.0 million of certain capital leases, $4.4 million fair value of interest rate swaps, ($20.8) million discount on convertible bonds, and $20.6 million of non-cash debt-related items) are due during the following years (in thousands):

2009 remaining	$91,834
2010	128,613
2011	303,412
2012	334,701
2013	413,440
2014	374,611
2015	249,780
2016	147,123
2017	29,391
2018	54,007
Thereafter	609,636
Total	$2,736,548

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We believe we were in compliance with all restrictive covenants as of March 31, 2009.

Note 6. Preferred Shares

In June and July of 2008, we redeemed $120 million and $80 million of depositary shares, respectively, retiring all of the Series G Cumulative Redeemable Preferred Shares. Each depositary share represented one-hundredth of a Series G Cumulative Redeemable Preferred Share. These depositary shares were redeemed, at our option, at a redemption price of $25 multiplied by a graded rate per depositary share based on the date of redemption plus any accrued and unpaid dividends thereon. Upon the redemption of these shares, the related original issuance costs of $1.9 million were reported as a deduction in arriving at net income available to common shareholders. The Series G Preferred Shares paid a variable-rate quarterly dividend through July 2008 calculated on the period's three-month LIBOR rate plus a percentage determined by the number of days outstanding. At March 31, 2008, the variable-rate dividend was 3.6%.

We issued $150 million and $200 million of depositary shares on June 6, 2008 and January 30, 2007, respectively. Each depositary share represents one-hundredth of a Series F Cumulative Redeemable Preferred Share. The depositary shares are redeemable, in whole or in part, on or after January 30, 2012 at our option, at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our other property or securities. The Series F Preferred Shares pay a 6.5% annual dividend and have a liquidation value of $2,500 per share. Series F Preferred Shares issued in June 2008 were issued at a discount, resulting in an effective rate of 8.25%. Net proceeds of $117.8 million and $194.0 million from the issuance in June 2008 and January 2007, respectively, were used to repay amounts outstanding under our revolving credit facilities and for general business purposes. Subsequent to the 2008 issuance, our revolving credit facilities were used to finance the partial redemption of the Series G Cumulative Redeemable Preferred Shares as described above.

In July 2004, we issued $72.5 million of depositary shares with each share representing one-hundredth of a Series E Cumulative Redeemable Preferred Share. The depositary shares are redeemable at our option on or after July 8, 2009, in whole or in part, for cash at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our other property or securities. The Series E preferred shares pay a 6.95% annual dividend and have a liquidation value of $2,500 per share.

In April 2003, $75 million of depositary shares were issued with each share representing one-thirtieth of a Series D Cumulative Redeemable Preferred Share. The depositary shares are currently redeemable at our option, in whole or in part, for cash at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our property or securities. The Series D preferred shares pay a 6.75% annual dividend and have a liquidation value of $750 per share.

Note 7. Common Shares of Beneficial Interest

In July 2007, our Board of Trust Managers authorized a common share repurchase program as part of our ongoing investment strategy. Under the terms of the program, we may purchase up to a maximum value of $300 million of our common shares during the following two years. Share repurchases may be made in the open market or in privately negotiated transactions at the discretion of management and as market conditions warrant. We anticipate funding the repurchase of shares primarily through the proceeds received from our property disposition program, as well as from general corporate funds. As of March 31, 2009, the remaining value of common shares available to be repurchased under the common share repurchase plan is $196.7 million, and no repurchases were made during the period.

In October 2008, we sold 3.0 million common shares at $34.20 per share. Net proceeds from this offering were $98.1 million and were used to repay indebtedness outstanding under our revolving credit facilities and for other general corporate purposes.

On March 12, 2009, we entered into an ATM Equity Offering Sales Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated, which is a continuous equity program relating to our common shares with an aggregate sales price of up to $125.0 million. No shares were issued under this program. Upon the completion of our equity offering in April 2009, we terminated this agreement and program.

In April 2009, we issued 32.2 million common shares at $14.25 per share. Net proceeds from this offering were $439.3 million and were used to repay indebtedness outstanding under our revolving credit facilities and for other general corporate purposes.

In April 2009, our Board of Trust Managers authorized a reduction of our quarterly dividend rate per share of $.525 to $.25 commencing with the second quarter 2009 distribution.

Note 8. Property

Our property consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Land	$952,165	$964,982
Land held for development	117,767	118,078
Land under development	94,174	101,587
Buildings and improvements	3,522,639	3,488,385
Construction in-progress	229,033	242,440
Total	$4,915,778	$4,915,472

The following carrying charges were capitalized (in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Interest	$3,197	$5,178
Ad valorem taxes	474	574
Total	$3,671	$5,752

During the three months ended March 31, 2009, we invested $18.2 million in new development projects, and an operating property in Texas and two buildings at an operating property in Nevada were sold. Sales proceeds from these dispositions totaled $27.0 million and generated gains of $7.2 million. No impairment charges were recorded during the three months ended March 31, 2009 and 2008.

Subsequent to March 31, 2009, we sold a building at two operating properties each located in Nevada with sales proceeds of approximately $8.5 million.

Note 9. Discontinued Operations

During the first quarter of 2009, we sold a shopping center located in Texas, and we classified a property as held for sale as of March 31, 2009 with a net book value of $7.2 million. During 2008, one industrial center located in Texas and nine shopping centers, five of which were located in Texas, one in California and three in Louisiana, were sold. The operating results of these properties, as well as any gains on the respective disposition, have been reclassified and reported as discontinued operations in the Condensed Consolidated Statements of Income and Comprehensive Income in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Revenues recorded in operating income from discontinued operations for the three months ended March 31, 2009 and 2008, totaled $.5 million and $4.3 million, respectively. Included in the Condensed Consolidated Balance Sheet at December 31, 2008 were $3.9 million of property and $3.1 million of accumulated depreciation related to the property sold during the three months ended March 31, 2009.

The discontinued operations reported in 2009 and 2008 had no debt that was required to be repaid upon their disposition.

We elected not to allocate other consolidated interest to discontinued operations because the interest savings to be realized from the proceeds of the sale of these operations were not material.

Note 10. Notes Receivable from Real Estate Joint Ventures and Partnerships

We have ownership interests in a number of real estate joint ventures and partnerships. Notes receivable from these entities bear interest ranging from 2.3% to 8.0% at March 31, 2009 and 2.8% to 10.0% at December 31, 2008. These notes are due at various dates through 2012 and are generally secured by real estate assets. We believe these notes are fully collectible and no allowance has been recorded. Interest income recognized on these notes was $.9 million for both the three months ended March 31, 2009 and 2008.

Note 11. Related Parties

Through our management activities and transactions with our real estate joint venture and partnerships, we had accounts receivable of $1.4 million and $2.0 million outstanding as of March 31, 2009 and December 31, 2008, respectively. We also had accounts payable and accrued expenses of $9.9 million and $10.2 million outstanding as of March 31, 2009 and December 31, 2008, respectively. For the three months ended March 31, 2009 and 2008, we recorded joint venture fee income of $1.6 million and $1.4 million, respectively.

Note 12. Investment in Real Estate Joint Ventures and Partnerships

We own interests in real estate joint ventures or limited partnerships and have tenancy-in-common interests in which we exercise significant influence, but do not have financial and operating control. We account for these investments using the equity method, and our interests range from 7.8% to 75%. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	March 31, 2009	December 31, 2008
Combined Condensed Balance Sheets		
Property	$1,976,072	$1,951,771
Accumulated depreciation	(139,978)	(129,227)
Property – net	1,836,094	1,822,544
Other assets, net	240,978	256,688
Total	$2,077,072	$2,079,232
Debt, net (primarily mortgage payables)	$469,218	$472,486
Amounts payable to Weingarten Realty Investors	264,126	248,969
Other liabilities, net	148,520	149,265
Accumulated equity	1,195,208	1,208,512
Total	$2,077,072	$2,079,232

	Three Months Ended March 31, 2009	2008
Combined Condensed Statements of Income		
Revenues	$42,902	$38,673
Expenses:		
Depreciation and amortization	13,076	8,618
Interest, net	7,019	3,921
Operating	7,099	6,263
Ad valorem taxes, net	5,563	4,788
General and administrative	1,294	265
Total	34,051	23,855
Gain on merchant development sales		495

Gain on sale of property	11	38
Net income	$8,862	$15,351

Our investment in real estate joint ventures and partnerships, as reported on our Condensed Consolidated Balance Sheets, differs from our proportionate share of the entities' underlying net assets due to basis differentials, which arose upon the transfer of assets to the joint ventures. The basis differentials, which totaled $12.0 million and $12.1 million at March 31, 2009 and December 31, 2008, respectively, are generally amortized over the useful lives of the related assets.

Fees earned by us for the management of these real estate joint ventures and partnerships totaled, in millions, $1.6 and $1.4 for the three months ended March 31, 2009 and 2008, respectively.

During the three months of 2009, there were no joint venture acquisitions or dispositions.

During 2008, a 25%-owned unconsolidated real estate joint venture acquired a 4,000 square foot building located in Port Charlotte, Florida. A 50%-owned unconsolidated real estate joint venture was formed for the purposes of developing an industrial building in Houston, Texas, while a 32%-owned unconsolidated real estate joint venture commenced construction of a retail property in Salt Lake City, Utah.

In July 2008, a 47.75%-owned unconsolidated real estate joint venture acquired an 83.34% interest in a joint venture owning a 919,000 square foot new development to be constructed in Aurora, Colorado.

In August 2008, we executed a real estate limited partnership with a foreign institutional investor to purchase up to $250 million of retail properties in various states. Our ownership in this unconsolidated real estate limited partnership is 20.1%. As of March 31, 2009, no properties have been purchased.

In December 2008, a 50%-owned real estate joint venture was executed related to the redevelopment project in Sheridan, Colorado. The joint venture entered into a financing arrangement totaling $6.7 million, which matures in December 2038 and is secured by its property.

Effective December 31, 2008, four previously consolidated joint venture agreements were amended, which triggered a reconsideration event and resulted in the de-consolidation of these entities from our consolidated financial statements.

Subsequent to March 31, 2009, we sold an unconsolidated joint venture interest in a property located in Colorado with sales proceeds of approximately $15.0 million, which were reduced by the release of a debt obligation of $11.7 million.

Note 13. Income Tax Considerations

We qualify as a REIT under the provisions of the Internal Revenue Code, and therefore, no tax is imposed on us for our taxable income distributed to shareholders. To maintain our REIT status, we must distribute at least 90% of our ordinary taxable income to our shareholders and meet certain income source and investment restriction requirements. Our shareholders must report their share of income distributed in the form of dividends.

Our taxable REIT subsidiary is subject to federal, state and local income taxes. We have recorded a federal income tax provision of $4.5 million and $.2 million during the three months ended March 31, 2009 and 2008, respectively. Also, a current tax obligation of $3.6 million and $.6 million has been recorded at March 31, 2009 and December 31, 2008, respectively, in association with this tax.

Our deferred tax assets and liabilities consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Deferred Tax Assets:		
Impairment loss	$9,936	$9,936
Allowance on other assets	1,394	1,363

Interest expense	-	861
Other	231	174
Total	$11,561	$12,334
Deferred Tax Liabilities:		
Straight-line rentals	$251	$152

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We have reviewed our tax positions under FASB's Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken, or expected to be taken, in a tax return. A tax position may only be recognized in the financial statements if it is more likely than not that the tax position will be sustained upon examination. We believe it is more likely than not that our tax positions will be sustained in any tax examinations.

In addition, we are subject to the State of Texas business tax ("Texas Franchise Tax"), which is determined by applying a tax rate to a base that considers both revenues and expenses. Therefore, the Texas Franchise Tax is considered an income tax and is accounted for in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes."

For each of the three months ended March 31, 2009 and 2008, we recorded a provision for the Texas Franchise Tax of $.5 million. The deferred tax assets and deferred tax liabilities associated with this tax each totaled $.1 million and $.2 million as of March 31, 2009 and December 31, 2008, respectively. Also, a current tax obligation of $2.9 million and $2.4 million has been recorded at March 31, 2009 and December 31, 2008, respectively, in association with this tax.

Note 14. Commitments and Contingencies

We participate in six real estate ventures structured as DownREIT partnerships that have properties in Arkansas, California, Georgia, North Carolina, Texas and Utah. As a general partner, we have operating and financial control over these ventures and consolidate their operations in our consolidated financial statements. These ventures allow the outside limited partners to put their interest to the partnership for our common shares or an equivalent amount in cash. We may acquire any limited partnership interests that are put to the partnership, and we have the option to redeem the interest in cash or a fixed number of our common shares, at our discretion. We also participate in a real estate venture that has a property in Texas that allows its outside partner to put operating partnership units to us for our common shares or an equivalent amount of cash. We have the option to redeem these units in cash or a fixed number of our common shares, at our discretion. During the three months ended March 31, 2009 and 2008, we issued common shares valued at $1.6 million and $.2 million, respectively, in exchange for certain of these limited partnership interests or operating partnership units. The aggregate redemption value of the operating partnership units was approximately $20 million and $46 million as of March 31, 2009 and December 31, 2008, respectively.

In January 2007, we acquired two retail properties in Arizona. This purchase transaction includes an earnout provision of approximately $29 million that is contingent upon the subsequent development of space by the property seller. This contingency agreement expires in 2010. We have an estimated obligation of $7.9 million and $3.9 million recorded as of March 31, 2009 and December 31, 2008, respectively. Since inception of this obligation, $9.4 million has been paid. Amounts paid or accrued under such earnouts are treated as additional purchase price and capitalized to the related property.

In April 2007, we acquired an industrial building located in Virginia. This purchase transaction includes an earnout provision of approximately $6 million that is contingent upon the lease up of vacant space by the property seller. We have an estimated obligation of $1.7 million and $2.3 million recorded as of March 31, 2009 and December 31, 2008, respectively, and since inception of this obligation, $3.3 million has been paid. This contingency agreement expired subsequent to March 31, 2009, and the final payment of $1.7 million was made. Amounts paid or accrued under such earnouts are treated as additional purchase price and capitalized to the related property.

In August 2006, we acquired a portfolio of five properties, including four properties in Georgia and one in Florida. The purchase agreement allows for the subsequent development and leasing of an additional phase of

Brookwood Marketplace by the property seller. If the terms of the purchase agreement are met by the seller, the purchase price would be increased by approximately $6.9 million. This agreement expired, and the final payment of $1.2 million was made subsequent to March 31, 2009. An estimated obligation of $1.3 million and $1.6 million was recorded as of March 31, 2009 and December 31, 2008, respectively, and $1.3 million has been paid through March 31, 2009. Amounts paid or accrued under such earnouts are treated as additional purchase price and capitalized to the related property.

We are subject to numerous federal, state and local environmental laws, ordinances and regulations in the areas where we own or operate properties. We are not aware of any material contamination, which may have been caused by us or any of our tenants that would have a material effect on our consolidated financial statements.

As part of our risk management activities, we have applied and been accepted into state sponsored environmental programs which will limit our expenses if contaminants need to be remediated. We also have an environmental insurance policy that covers us against third party liabilities and remediation costs.

While we believe that we do not have any material exposure to environmental remediation costs, we cannot give absolute assurance that changes in the law or new discoveries of contamination will not result in increased liabilities to us.

Related to our investment in a redevelopment project in Sheridan, Colorado that is held in an unconsolidated real estate joint venture, we, our joint venture partner and the joint venture have each provided a guaranty for the payment of any debt service shortfalls on bonds issued in connection with the project. The Sheridan Redevelopment Agency issued $97 million of Series A bonds used for an urban renewal project. The bonds are to be repaid with incremental sales and property taxes and a public improvement fee ("PIF") to be assessed on current and future retail sales. The incremental taxes and PIF are to remain intact until the bond liability has been paid in full, including any amounts we may have to provide. At inception on February 27, 2007, we evaluated and determined that the fair value of the guaranty is nominal to us as the guarantor. However, a liability has been recorded by the joint venture equal to amounts funded under the bonds.

In connection with the above project, we and our joint venture partner are also signatories to a completion guaranty that requires, among other things, certain infrastructure to be substantially completed and occupants of 75% of the retail space to be open for regular business as of December 31, 2008. Under specified circumstances, the completion guaranty allows for extension of the completion date until June 30, 2009. At inception on February 27, 2007, we evaluated the guaranty and determined that its then fair value was nominal. By a letter dated December 1, 2008, the guarantors requested extension of the completion date pursuant to the terms of the guaranty. On December 16, 2008, one of the parties benefited by the guaranty filed a lawsuit against us alleging that we were not entitled to the extension and is seeking $97 million in liquidated damages together with other relief. On February 5, 2009, we filed an answer and counterclaim in which we asserted, among other things, that we were entitled to the extension. We have recorded a contingent liability of $41 million as of both March 31, 2009 and December 31, 2008 based on our belief that we were entitled to the requested extension in December of 2008, but that since completion under the guaranty is not anticipated to be achieved by June 30, 2009, a provision of the guaranty requiring redemption of a certain portion of the outstanding bonds may be triggered. The contingent liability of $41 million is based on a weighted probability analysis of potential outcomes.

Since the $41 million contingent liability would be funded through the joint venture and the joint venture would purchase the bonds, it has been recorded as an increase in our investment in real estate joint ventures and partnerships. The increased basis in our investment did not result in an impairment to our investment in accordance to the Accounting Principles Board's APB 18, "The Equity Method of Accounting for Investments in Common Stock."

Also in connection with the Sheridan, Colorado joint venture and the issuance of the related Series A bonds, we, our joint venture partner and the joint venture have also provided a performance guaranty on behalf of the Sheridan Redevelopment Agency for the satisfaction of all obligations arising from two interest rate swap agreements for the combined notional amount of $97 million that matures in December 2029. We evaluated and determined that the fair value of the guaranty at inception and both March 31, 2009 and December 31, 2008 was nominal.

We are also involved in various matters of litigation arising in the normal course of business. While we are unable to predict with certainty the amounts involved, our management and counsel are of the opinion that, when such litigation is resolved, any additional liability, if any, will not have a material effect on our consolidated financial statements.

Note 15. Identified Intangible Assets and Liabilities

Identified intangible assets and liabilities associated with our property acquisitions are as follows (in thousands):

	March 31, 2009	December 31, 2008
Identified Intangible Assets:		
Above-Market Leases (included in Other Assets, net)	$17,921	$17,921
Above-Market Leases – Accumulated Amortization	(10,252)	(9,771)
Below-Market Assumed Mortgages (included in Debt, net)	2,072	