KIMCO REALTY CORP
Form 10-Q
November 03, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

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

**For the quarterly period ended September 30, 2014**

**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: 1-10899

Kimco Realty Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Maryland** | **13-2744380** |

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**3333 New Hyde Park Road, New Hyde Park, NY 11042**

(Address of principal executive offices) (Zip Code)

**(516) 869-9000**

(Registrant's telephone number, including area code)

**N/A**

(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 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 12-b-2 of the Exchange Act.

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

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

As of October 22, 2014, the registrant had 411,425,014 shares of common stock outstanding.

PART I FINANCIAL INFORMATION

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Condensed Consolidated Financial Statements -

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**KIMCO REALTY CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

**(in thousands, except share information)**

| | **September 30, 2014** | **December 31, 2013** |
|---|---|---|
| Assets: | | |
| Operating real estate, net of accumulated depreciation of $1,937,463 and $1,878,681, respectively | $7,883,798 | $7,146,845 |
| Investments and advances in real estate joint ventures | 1,087,425 | 1,257,010 |
| Real estate under development | 79,203 | 97,818 |
| Other real estate investments | 268,183 | 274,641 |
| Mortgages and other financing receivables | 22,724 | 30,243 |
| Cash and cash equivalents | 154,190 | 148,768 |
| Marketable securities | 77,123 | 62,766 |
| Accounts and notes receivable | 161,158 | 164,326 |
| Other assets | 559,407 | 481,213 |
| Total assets | $10,293,211 | $9,663,630 |
| | | |
| Liabilities: | | |
| Notes payable | $3,353,458 | $3,186,047 |
| Mortgages payable | 1,343,859 | 1,035,354 |
| Dividends payable | 104,858 | 104,496 |
| Other liabilities | 563,926 | 482,054 |
| Total liabilities | 5,366,101 | 4,807,951 |
| Redeemable noncontrolling interests | 91,413 | 86,153 |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $1.00 par value, authorized 5,961,200 shares, 102,000 shares issued and outstanding (in series) Aggregate liquidation preference $975,000 | 102 | 102 |
| Common stock, $.01 par value, authorized 750,000,000 shares issued and outstanding 411,338,211 and 409,731,058 shares, respectively | 4,113 | 4,097 |
| Paid-in capital | 5,722,829 | 5,689,258 |
| Cumulative distributions in excess of net income | (945,949) | (996,058) |
| Accumulated other comprehensive income | (68,620) | (64,982) |
| Total stockholders' equity | 4,712,475 | 4,632,417 |
| Noncontrolling interests | 123,222 | 137,109 |
| Total equity | 4,835,697 | 4,769,526 |
| Total liabilities and equity | $10,293,211 | $9,663,630 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KIMCO REALTY CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**(Unaudited)**

**(in thousands, except per share data)**

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Revenues | | | | |
| Revenues from rental properties | $253,367 | $212,153 | $723,891 | $629,691 |
| Management and other fee income | 8,679 | 9,310 | 26,245 | 26,752 |
| Total revenues | 262,046 | 221,463 | 750,136 | 656,443 |
| Operating expenses | | | | |
| Rent | 3,559 | 3,315 | 10,362 | 10,012 |
| Real estate taxes | 31,553 | 28,156 | 92,413 | 81,345 |
| Operating and maintenance | 32,143 | 23,767 | 90,190 | 73,721 |
| General and administrative expenses | 28,674 | 30,828 | 94,682 | 96,148 |
| Provision for doubtful accounts | 992 | 2,102 | 4,612 | 6,917 |
| Impairment charges | 6,141 | 58,650 | 45,691 | 83,887 |
| Depreciation and amortization | 69,188 | 57,933 | 191,423 | 170,827 |
| Total operating expenses | 172,250 | 204,751 | 529,373 | 522,857 |
| Operating income | 89,796 | 16,712 | 220,763 | 133,586 |
| Other income/(expense) | | | | |
| Mortgage financing income | 417 | 925 | 2,544 | 3,341 |
| Interest, dividends and other investment income | 269 | 416 | 712 | 9,464 |
| Other (expense)/income, net | (1,238 ) | 3,527 | (3,796 ) | (1,292 ) |
| Interest expense | (51,578 ) | (53,949 ) | (154,998) | (162,404) |
| **Income/(loss) from continuing operations before income taxes, equity in income of joint ventures, gain on change in control of interests and equity in income from other real estate investments** | **37,666** | **(32,369 )** | **65,225** | **(17,305 )** |
| Provision for income taxes, net | (5,366 ) | (23,763 ) | (14,651 ) | (26,584 ) |
| Equity in income of joint ventures, net | 51,787 | 96,175 | 150,073 | 179,791 |
| Gain on change in control of interests, net | 14,431 | - | 83,773 | 21,711 |
| Equity in income of other real estate investments, net | 6,036 | 10,547 | 16,404 | 29,910 |
| **Income from continuing operations** | **104,554** | **50,590** | **300,824** | **187,523** |

| | | | | |
|---|---|---|---|---|
| **Discontinued operations** | | | | |
| Income from discontinued operating properties, net of tax | 4,062 | 9,588 | 23,475 | 32,733 |
| Impairment/loss on operating properties, net of tax | (566 ) | (26,928 ) | (58,373 ) | (68,130 ) |
| Gain on disposition of operating properties, net of tax | 89,259 | 23,398 | 118,804 | 27,762 |
| **Income/(loss) from discontinued operations** | **92,755** | **6,058** | **83,906** | **(7,635 )** |
| | | | | |
| **Gain on sale of operating properties, net of tax** | **-** | **540** | **389** | **1,080** |
| | | | | |
| **Net income** | **197,309** | **57,188** | **385,119** | **180,968** |
| | | | | |
| Net income attributable to noncontrolling interests | (2,601 ) | (1,425 ) | (13,899 ) | (6,296 ) |
| | | | | |
| **Net income attributable to the Company** | **194,708** | **55,763** | **371,220** | **174,672** |
| | | | | |
| Preferred dividends | (14,573 ) | (14,573 ) | (43,720 ) | (43,720 ) |
| | | | | |
| **Net income available to the Company's common shareholders** | **$180,135** | **$41,190** | **$327,500** | **$130,952** |
| | | | | |
| Per common share: | | | | |
| Income from continuing operations: | | | | |
| -Basic | **$0.21** | **$0.08** | **$0.61** | **$0.33** |
| -Diluted | **$0.21** | **$0.08** | **$0.61** | **$0.33** |
| Net income attributable to the Company: | | | | |
| -Basic | **$0.44** | **$0.10** | **$0.80** | **$0.32** |
| -Diluted | **$0.44** | **$0.10** | **$0.79** | **$0.32** |
| | | | | |
| Weighted average shares: | | | | |
| -Basic | **409,326** | **408,060** | **408,868** | **407,459** |
| -Diluted | **411,101** | **408,866** | **410,683** | **408,510** |
| | | | | |
| **Amounts attributable to the Company's common shareholders:** | | | | |
| Income from continuing operations | $87,376 | $32,353 | $250,990 | $136,743 |
| Income/(loss) from discontinued operations | 92,759 | 8,837 | 76,510 | (5,791 ) |
| Net income | **$180,135** | **$41,190** | **$327,500** | **$130,952** |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KIMCO REALTY CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(Unaudited)**

**(in thousands)**

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | $197,309 | $57,188 | $385,119 | $180,968 |
| Other comprehensive income: | | | | |
| Change in unrealized gain on marketable securities, net | 5,869 | 17,660 | 13,980 | 23,888 |
| Change in foreign currency translation adjustment, net | (14,912 ) | 305 | (17,807 ) | (2,199 ) |
| Other comprehensive(loss)/ income | (9,043 ) | 17,965 | (3,827 ) | 21,689 |
| Comprehensive income | 188,266 | 75,153 | 381,292 | 202,657 |
| Comprehensive income attributable to noncontrolling interests | (2,586 ) | (1,720 ) | (13,710 ) | (5,931 ) |
| Comprehensive income attributable to the Company | $185,680 | $73,433 | $367,582 | $196,726 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KIMCO REALTY CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the Nine Months Ended September 30, 2014 and 2013**

**(Unaudited)**

**(in thousands)**

| | Cumulative Distributions in Excess of Net Income | Accumulated Other Comprehensive Income | Preferred Stock Issued | Preferred Stock Amount | Common Stock Issued | Common Stock Amount | Paid-in Capital | Total Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2013 | $(824,008) | $(66,182) | 102 | $102 | 407,782 | $4,078 | $5,651,170 | $4,765,160 | $167,320 | $4,932,480 |
| Contributions from noncontrolling interests | - | - | - | - | - | - | - | - | 937 | 937 |
| Comprehensive income: | | | | | | | | | | |
| Net income | 174,672 | - | - | - | - | - | - | 174,672 | 6,296 | 180,968 |
| Other comprehensive income, net of tax: | | | | | | | | | | |
| Change in unrealized gain on marketable securities | - | 23,888 | - | - | - | - | - | 23,888 | - | 23,888 |
| Change in foreign currency translation adjustment | - | (1,834) | - | - | - | - | - | (1,834) | (365) | (2,199) |
| Redeemable noncontrolling interests | - | - | - | - | - | - | - | - | (5,140) | (5,140) |
| | (301,569) | | - | - | - | - | - | (301,569) | - | (301,569) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Dividends ($0.63 per common share; $1.2938 per Class H Depositary Share and $1.1250 per Class I Depositary Share, and $1.0313 per Class J Depositary Share. and $1.0547 per Class K Depositary Share, respectively) | | | | | | | | | | |
| Distributions to noncontrolling interests | - | | - | - | - | - | - | - | (6,387 ) | (6,387 ) |
| Issuance of common stock | - | | - | - | 560 | 5 | 9,208 | 9,213 | - | 9,213 |
| Surrender of restricted stock | - | | - | - | (245 ) | (2 ) | (3,849 ) | (3,851 ) | - | (3,851 ) |
| Exercise of common stock options | - | | - | - | 1,559 | 16 | 29,028 | 29,044 | - | 29,044 |
| Acquisition of noncontrolling interests | - | | - | - | - | - | (5,992 ) | (5,992 ) | (20,096 ) | (26,088 ) |
| Amortization of equity awards | - | | - | - | - | - | 8,856 | 8,856 | - | 8,856 |
| Balance, September 30, 2013 | $(950,905) | $(44,128) | 102 | $102 | 409,656 | $4,097 | $5,688,421 | $4,697,587 | $142,565 | $4,840,152 |
| Balance, January 1, 2014 | $(996,058) | $(64,982) | 102 | $102 | 409,731 | $4,097 | $5,689,258 | $4,632,417 | $137,109 | $4,769,526 |
| Contributions from noncontrolling interests | - | - | - | - | - | - | - | - | 3,098 | 3,098 |
| Comprehensive income: | | | | | | | | | | |
| Net income | 371,220 | - | - | - | - | - | - | 371,220 | 13,899 | 385,119 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Other comprehensive income, net of tax: | | | | | | | | | | |
| Change in unrealized gain on marketable securities | - | 13,980 | - | - | - | - | - | 13,980 | - | 13,980 |
| Change in foreign currency translation adjustment | - | (17,618) | - | - | - | - | - | (17,618) | (189) | (17,807) |
| | | | | | | | | - | | |
| Redeemable noncontrolling interests | - | - | - | - | - | - | - | - | (4,779) | (4,779) |
| Dividends ($0.675 per common share; $1.2938 per Class H Depositary Share and $1.1250 per Class I Depositary Share, and $1.0313 per Class J Depositary Share. and $1.0547 per Class K Depositary Share, respectively) | (321,111) | - | - | - | - | - | - | (321,111) | - | (321,111) |
| Distributions to noncontrolling interests | - | - | - | - | - | - | - | - | (25,150) | (25,150) |
| Issuance of common stock | - | - | - | - | 805 | 8 | 13,827 | 13,835 | - | 13,835 |
| Surrender of restricted stock | - | - | - | - | (187) | (2) | (3,979) | (3,981) | - | (3,981) |
| Exercise of common stock options | - | - | - | - | 989 | 10 | 16,077 | 16,087 | - | 16,087 |
| Acquisition of noncontrolling interests | - | - | - | - | - | - | (53) | (53) | (766) | (819) |
| | - | - | - | - | - | - | 7,699 | 7,699 | - | 7,699 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Amortization of equity awards | | | | | | | | | | |
| Balance, September 30, 2014 | $(945,949) | $(68,620) | 102 | $102 | 411,338 | $4,113 | $5,722,829 | $4,712,475 | $123,222 | $4,835,697 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KIMCO REALTY CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(in thousands)**

| | **Nine Months Ended September 30,** | |
|---|---|---|
| | 2014 | 2013 |
| Cash flow from operating activities: | | |
| Net income | $385,119 | $180,968 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 199,914 | 191,420 |
| Impairment charges | 107,034 | 167,153 |
| Gain on sale of operating properties | (130,052) | (29,859) |
| Equity in income of joint ventures, net | (150,073) | (179,791) |
| Gains on change in control of interests | (83,773) | (21,711) |
| Equity in income from other real estate investments, net | (16,404) | (29,910) |
| Distributions from joint ventures and other real estate investments | 186,629 | 211,362 |
| Change in accounts and notes receivable | 3,168 | 11,414 |
| Change in accounts payable and accrued expenses | 35,289 | 69,053 |
| Change in other operating assets and liabilities | (26,846) | (36,258) |
| Net cash flow provided by operating activities | 510,005 | 533,841 |
| | | |
| Cash flow from investing activities: | | |
| Acquisition of operating real estate | (382,128) | (182,423) |
| Improvements to operating real estate | (93,733) | (78,490) |
| Improvements to real estate under development | (154) | (541) |
| Investment in marketable securities | (4,556) | (33,588) |
| Proceeds from sale/repayments of marketable securities | 3,780 | 10,800 |
| Investments and advances to real estate joint ventures | (59,602) | (289,494) |
| Reimbursements of investments and advances to real estate joint ventures | 144,359 | 409,748 |
| Investment in other real estate investments | (3,851) | (23,488) |
| Reimbursements of investments and advances to other real estate investments | 12,981 | 19,557 |
| Investment in mortgage loans receivable | - | (11,469) |
| Collection of mortgage loans receivable | 7,707 | 13,900 |
| Investment in other investments | - | (21,366) |
| Reimbursements of other investments | - | 9,175 |
| Proceeds from sale of operating properties | 303,104 | 247,965 |
| Net cash flow (used for)/provided by investing activities | (72,093) | 70,286 |
| | | |
| Cash flow from financing activities: | | |
| Principal payments on debt, excluding normal amortization of rental property debt | (298,264) | (132,492) |

| | | |
|---|---|---|
| Principal payments on rental property debt | (17,098) | (18,264) |
| Proceeds from mortgage loan financings | 15,700 | 35,974 |
| Proceeds/(repayments) under unsecured revolving credit facility, net | 55,646 | (99,076) |
| Proceeds from issuance of unsecured term loan/notes | 500,000 | 621,562 |
| Repayments under unsecured term loan/notes | (370,842) | (446,717) |
| Financing origination costs | (11,911) | (7,364) |
| Redemption of/distributions to noncontrolling interests, net | (1,059) | (27,184) |
| Dividends paid | (320,749) | (299,754) |
| Proceeds from issuance of stock | 16,087 | 29,043 |
| Net cash flow used for financing activities | (432,490) | (344,272) |
| | | |
| Change in cash and cash equivalents | 5,422 | 259,855 |
| | | |
| Cash and cash equivalents, beginning of period | 148,768 | 141,875 |
| Cash and cash equivalents, end of period | $154,190 | $401,730 |
| | | |
| Interest paid during the period (net of capitalized interest of $1,288 and $888, respectively) | $135,706 | $142,805 |
| | | |
| Income taxes paid during the period | $12,944 | $1,240 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

KIMCO REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

*Principles of Consolidation -*

The accompanying Condensed Consolidated Financial Statements include the accounts of Kimco Realty Corporation and Subsidiaries, (the “Company”). The Company’s Subsidiaries includes subsidiaries which are wholly-owned, and all entities in which the Company has a controlling financial interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity (“VIE”) or meets certain criteria of a sole general partner or managing member in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). All inter-company balances and transactions have been eliminated in consolidation. The information furnished in the accompanying Condensed Consolidated Financial Statements is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's 2013 Annual Report on Form 10-K for the year ended December 31, 2013 (“10-K”), as certain disclosures in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014, that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

*Subsequent Events -*

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements. (See Footnote 4).

*Income Taxes -*

The Company elected status as a Real Estate Investment Trust (a “REIT”) for federal income tax purposes beginning in its taxable year ended December 31, 1991 and operates in a manner that enables the Company to maintain its status as a REIT. As a REIT, the Company must distribute at least 90 percent of its taxable income and will not pay federal income taxes on the amount distributed to its shareholders. Therefore, the Company is not subject to federal income taxes if it distributes 100 percent of its taxable income. Most states, where the Company holds investments in real estate, conform to the federal rules recognizing REITs. Certain subsidiaries have made a joint election with the Company to be treated as taxable REIT subsidiaries (“TRS”), which permit the Company to engage in certain business activities in which the REIT may not conduct directly. A TRS is subject to federal and state income taxes on the income from these activities and the Company includes a provision for taxes in its condensed consolidated financial statements. The Company is subject to and also includes in its tax provision non-U.S. income taxes on certain investments located in jurisdictions outside the U.S. These investments are held by the Company at the REIT level and not in the Company’s taxable REIT subsidiary. Accordingly, the Company does not expect a U.S. income tax impact associated with the repatriation of undistributed earnings from the Company’s foreign subsidiaries.

*Earnings Per Share -*

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands except per share data):

| | **Three Months Ended** | | **Nine Months Ended** | |
|---|---|---|---|---|
| | **September 30,** | | **September 30,** | |
| | **2014** | **2013** | **2014** | **2013** |
| *Computation of Basic Earnings Per Share:* | | | | |
| Income from continuing operations | $104,554 | $50,590 | $300,824 | $187,523 |
| Gain on sale of operating properties, net of tax | - | 540 | 389 | 1,080 |
| Net income attributable to noncontrolling interests | (2,601 ) | (1,425 ) | (13,899 ) | (6,296 ) |
| Discontinued operations attributable to noncontrolling interests | (4 ) | (2,779 ) | 7,396 | (1,844 ) |
| Preferred stock dividends | (14,573 ) | (14,573 ) | (43,720 ) | (43,720 ) |
| Income from continuing operations available to the common shareholders | 87,376 | 32,353 | 250,990 | 136,743 |
| Earnings attributable to unvested restricted shares | (431 ) | (337 ) | (1,292 ) | (1,011 ) |
| Income from continuing operations attributable to common shareholders | 86,945 | 32,016 | 249,698 | 135,732 |
| Income/(loss) from discontinued operations attributable to the Company | 92,759 | 8,837 | 76,510 | (5,791 ) |
| Net income attributable to the Company’s common shareholders for basic earnings per share | $179,704 | $40,853 | $326,208 | $129,941 |
| | | | | |
| Weighted average common shares outstanding | 409,326 | 408,060 | 408,868 | 407,459 |
| | | | | |
| *Basic Earnings Per Share Attributable to the Company’s Common Shareholders:* | | | | |
| Income from continuing operations | $0.21 | $0.08 | $0.61 | $0.33 |
| Income/(loss) from discontinued operations | 0.23 | 0.02 | 0.19 | (0.01 ) |
| Net income | $0.44 | $0.10 | $0.80 | $0.32 |
| | | | | |
| *Computation of Diluted Earnings Per Share:* | | | | |
| Income from continuing operations attributable to common shareholders | $86,945 | $32,016 | $249,698 | $135,732 |
| Income/(loss) from discontinued operations attributable to the Company | 92,759 | 8,837 | 76,510 | (5,791 ) |
| Distributions on convertible units | 130 | - | 390 | - |
| Net income attributable to the Company’s common shareholders for diluted earnings per share | $179,834 | $40,853 | $326,598 | $129,941 |
| | | | | |
| Weighted average common shares outstanding – basic | 409,326 | 408,060 | 408,868 | 407,459 |

| | | | | |
|---|---|---|---|---|
| Effect of dilutive securities (a): | | | | |
| Equity awards | 1,052 | 806 | 1,092 | 1,051 |
| Assumed conversion of convertible units | 723 | - | 723 | - |
| Shares for diluted earnings per common share | 411,101 | 408,866 | 410,683 | 408,510 |
| | | | | |
| *Diluted Earnings Per Share Attributable to the Company's Common Shareholders:* | | | | |
| Income from continuing operations | $0.21 | $0.08 | $0.61 | $0.33 |
| Income/(loss) from discontinued operations | 0.23 | 0.02 | 0.18 | (0.01) |
| Net income | $0.44 | $0.10 | $0.79 | $0.32 |

(a) *For the three and nine months ended September 30, 2014 and 2013, the effect of certain convertible units would have an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations. Additionally, there were 8,839,578 and 10,983,598 stock options that were not dilutive at September 30, 2014 and 2013, respectively.*

The Company's unvested restricted share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings.

*New Accounting Pronouncements –*

In August 2014, the FASB issued Accounting Standards Update ("ASU") 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"), which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter, early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-15 will have on the Company's condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on the Company’s financial position or results of operations.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). The amendments in ASU 2014-08 change the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The amendments in ASU 2014-08 are effective for fiscal years beginning after December 15, 2014. Early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-08 will have on future disposals.

In February 2013, the FASB issued new guidance regarding liabilities, ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (“ASU 2013-04”), effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligations. The adoption of ASU 2013-04 did not have a material impact on the Company’s financial position or results of operations.

2. Operating Property Activities

*Acquisitions -*

During the nine months ended September 30, 2014, the Company acquired the following properties, in separate transactions (in thousands):

| **Property Name** | **Location** | **Month** | **Purchase Price Cash*** | **Other** | **Total** | **GLA**** |
|---|---|---|---|---|---|---|

| | | **Acquired** | | **Debt Assumed** | | | |
|---|---|---|---|---|---|---|---|
| North Valley Leasehold | Peoria, AZ | Jan-14 | $3,000 | $- | $- | $3,000 | - |
| LaSalle Properties (3 properties) | Various (1) | Jan-14 | 62,239 | 23,269 | 7,642 | 93,150 | 316 |
| Harrisburg Land Parcel | Harrisburg, PA | Jan-14 | 2,550 | - | - | 2,550 | - |
| Crossroads Plaza | Cary, NC | Feb-14 | 18,691 | 72,309 | - | 91,000 | 489 |
| Quail Corners | Charlotte, NC (2) | Mar-14 | 9,398 | 17,409 | 4,943 | 31,750 | 110 |
| KIF 1 Portfolio (12 properties) | Various (3) | Apr-14 | 128,699 | 157,010 | 122,291 | 408,000 | 1,589 |
| Fountain at Arbor Lakes (2 Land Parcels) | Maple Grove, MN | Apr-14 | 900 | - | - | 900 | - |
| Boston Portfolio (24 properties) | Various | Apr-14 | 149,486 | 120,514 | - | 270,000 | 1,426 |
| Vinnin Square | Swampscott, MA | May-14 | 2,550 | - | - | 2,550 | 6 |
| SEB Portfolio (10 Properties) | Various (4) | Jul-14 | 69,261 | 193,600 | 12,911 | 275,772 | 1,415 |
| Highlands Ranch Parcel | Highlands Ranch, CO | Sep-14 | 3,800 | - | - | 3,800 | 10 |
| | | | **$450,574** | **$584,111** | **$147,787** | **$1,182,472** | **5,361** |

* Includes 1031 sales proceeds

** Gross leasable area ("GLA")

(1) The Company acquired three properties from a joint venture in which the Company has an 11% noncontrolling interest. The Company evaluated this transaction pursuant to the FASB’s Consolidation guidance and as such recognized a gain of $3.7 million from the fair value adjustment associated with the Company’s original ownership due to a change in control, which is reflected in the purchase price above in Other.

(2) The Company acquired a 65.4% controlling ownership interest in this property and the seller retained a 34.6% noncontrolling interest in the property. The partner has the ability to put its partnership interest to the Company. As such, the Company has recorded the partners’ share of the property’s fair value of $4.9 million as Redeemable noncontrolling interests on the Company’s Condensed Consolidated Balance Sheets.

(3) The Company acquired from its partners the remaining ownership interest in a joint venture which holds 12 encumbered properties for which the Company had a 39.1% noncontrolling interest. The Company evaluated this transaction pursuant to the FASB’s Consolidation guidance and as a result, recognized a gain of $65.6 million from the fair value adjustment associated with the Company’s original ownership due to a change in control, which is reflected in the purchase price above in Other. Subsequently, the Company repaid $128.4 million in debt encumbering ten of the properties. Additionally, during June 2014, the Company sold one of the properties to a third party.

(4) The Company acquired from its partner the remaining ownership interest in 10 properties that were held in a joint venture in which the Company has a 15% noncontrolling interest. The Company evaluated this transaction pursuant to the FASB’s Consolidation guidance and as a result, recognized a gain of $14.4 million from the fair value adjustment associated with the Company’s original ownership due to a change in control, which is reflected in the purchase price above in Other.

The aggregate purchase price of the properties acquired during the nine months ended September 30, 2014, has been preliminarily allocated as follows (in thousands):

| | |
|---|---|
| Land | $335,891 |
| Buildings | 561,601 |
| Above Market Rents | 24,995 |
| Below Market Rents | (67,101) |
| In-Place Leases | 93,617 |
| Building Improvements | 239,897 |
| Tenant Improvements | 21,885 |
| Mortgage Fair Value Adjustment | (34,154) |
| Other Assets | 5,841 |
| | $1,182,472 |

*Dispositions –*

During the nine months ended September 30, 2014, the Company disposed of 37 operating properties, in separate transactions, for an aggregate sales price of $458.1 million, including seven operating properties in Mexico. These transactions, which are included in Discontinued Operations on the Company's Condensed Consolidated Statements of Income, resulted in an aggregate gain of $129.4 million, before income taxes and noncontrolling interests and aggregate impairment charges of $12.1 million, before income taxes and noncontrolling interests.

*Impairment Charges -*

During the nine months ended September 30, 2014, the Company recognized aggregate impairment charges of $45.7 million, which are included in Impairment charges under Operating expenses on the Company's Condensed Consolidated Statements of Income. These impairment charges consist of $40.9 million related to adjustments to property carrying values and $4.8 million related to a cost method investment. The adjustments to property carrying values were recognized in connection with the Company's efforts to market certain properties and management's assessment as to the likelihood and timing of such potential transactions and the anticipated hold period for such properties. During the second quarter of 2014, the Company implemented a plan to accelerate its disposition of certain U.S. properties and in accordance with this strategy the Company identified approximately 150 operating properties to sell within the next 18 months. This plan effectively shortened the Company's anticipated hold period for these properties and as a result the Company recognized impairment charges on certain consolidated operating properties. (See Footnote 12 for fair value disclosure).

During the nine months ended September 30, 2013, the Company recognized aggregate impairment charges of $83.9 million, which are included in Impairment charges under Operating expenses on the Company's Condensed Consolidated Statements of Income. These impairment charges consist of $73.9 million related to adjustments to property carrying values and $10.0 million relating to a cost method investment.

The Company's estimated fair values as it relates to property carrying values were primarily based upon estimated sales prices from third party offers based on signed contracts or letters of intent. The impairment of the cost method investment was based upon a review of the underlying cause of the decline in value, as well as the severity and duration of the decline. As a result of such review, the Company determined that the decline was deemed to be other-than-temporary. (See Footnote 12 for fair value disclosure).

3. Discontinued Operations

The Company reports as discontinued operations, properties held-for-sale as of the end of the current period and assets sold during the period. The results of these discontinued operations are included as a separate component of income on the Condensed Consolidated Statements of Income under the caption Discontinued operations.  This reporting has resulted in certain reclassifications of 2013 financial statement amounts.

The components of income and expense relating to discontinued operations for the three and nine months ended September 30, 2014 and 2013 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2014 and 2013 and the operations for the applicable period for those assets classified as held-for-sale as of September 30, 2014 (in thousands):

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Discontinued operations: | | | | |
| Revenues from rental property | $7,754 | $26,127 | $44,842 | $81,429 |
| Rental property expenses | (2,160) | (8,994) | (11,281) | (25,854) |
| Depreciation and amortization | (1,430) | (6,444) | (8,491) | (20,594) |
| Provision for doubtful accounts, net | 128 | (406) | (191) | (1,088) |
| Interest income/(expense), net | 23 | (42) | (50) | 110 |
| Other expense, net | (3) | (112) | (437) | (448) |
| Income from discontinued operating properties, before income taxes | 4,312 | 10,129 | 24,392 | 33,555 |
| Impairment of property carrying value, net, before income taxes | (940) | (26,957) | (61,343) | (83,267) |
| Gain on disposition of operating properties, net, before income taxes | 99,144 | 23,400 | 129,435 | 27,764 |
| (Provision)/benefit for income taxes, net | (9,761) | (514) | (8,578) | 14,313 |
| Income/(loss) from discontinued operating properties | 92,755 | 6,058 | 83,906 | (7,635) |
| Net loss/(income) attributable to noncontrolling interests | 4 | 2,779 | (7,396) | 1,844 |
| Income/(loss) from discontinued operations attributable to the Company | $92,759 | $8,837 | $76,510 | $(5,791) |

During the nine months ended September 30, 2014, the Company classified as held-for-sale 35 operating properties. The aggregate book value of these properties was $239.9 million, net of accumulated depreciation of $76.5 million. The Company recognized impairment charges on 11 of these properties aggregating $56.2 million, of which $7.1 million related to three properties that were sold during the nine months ended September 30, 2014. The book value of the other 24 properties did not exceed their estimated fair value, less costs to sell, and as such no impairment charges were recognized. The Company's determination of the fair value of these properties, aggregating $316.5 million, was based upon executed contracts of sale with third parties (see Footnote 12).  The Company completed the sale of 15 held-for-sale operating properties during the nine months ended September 30, 2014 (these dispositions are included in Footnote 2 above).  At September 30, 2014, the Company had 20 operating properties classified as held-for-sale at a carrying amount of $95.2 million, net of accumulated depreciation of $43.4 million, which are included in Other assets on the Company's Condensed Consolidated Balance Sheets.

4. Investments and Advances in Real Estate Joint Ventures

The Company and its subsidiaries have investments in and advances to various real estate joint ventures.  These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases. The Company and the joint venture partners have joint approval rights for major decisions, including those regarding property operations.  As such, the Company holds noncontrolling interests in these joint ventures and accounts for them under the equity method of accounting.  The table below presents joint venture investments for which the Company held an ownership interest at September 30, 2014 and December 31, 2013 (in millions, except number of properties):

| Venture | As of September 30, 2014 Average Ownership Interest | Number of Properties | GLA | Gross Real Estate | The Company's Investment | As of December 31, 2013 Average Ownership Interest | Number of Properties | GLA | Gross Real Estate | The Company's Investment |
|---|---|---|---|---|---|---|---|---|---|---|
| Prudential Investment Program ("KimPru" and "KimPru II") (1) (2) (9) | 15.0% | 60 | 10.6 | $2,747.7 | $ 180.7 | 15.0% | 60 | 10.6 | $2,724.0 | $ 179.7 |
| Kimco Income Opportunity Portfolio ("KIR") (2) (3) | 48.6% | 55 | 11.6 | 1,486.0 | 153.8 | 48.6% | 57 | 12.0 | 1,496.0 | 163.6 |
| Kimstone (2) | 33.3% | 39 | 5.6 | 1,096.5 | 93.3 | 33.3% | 39 | 5.6 | 1,095.3 | 100.3 |
| BIG Shopping Centers (2) (21)* | 37.9% | 21 | 3.4 | 522.1 | 31.3 | 37.9% | 21 | 3.4 | 520.1 | 29.5 |
| The Canada Pension Plan Investment Board ("CPP") (2) | 55.0% | 6 | 2.4 | 438.8 | 155.6 | 55.0% | 6 | 2.4 | 437.4 | 144.8 |
| Kimco Income Fund ("KIF") (2) (8) | - | - | - | - | - | 39.5% | 12 | 1.5 | 288.7 | 50.6 |
| SEB Immobilien (2) (12) | 15.0% | 3 | 0.4 | 85.8 | 2.5 | 15.0% | 13 | 1.8 | 361.9 | 0.9 |
| Other Institutional Programs (2) (4) (5) | Various | 51 | 1.5 | 344.4 | 10.1 | Various | 56 | 2.1 | 385.3 | 17.9 |
| RioCan | 50.0% | 45 | 9.3 | 1,256.9 | 162.6 | 50.0% | 45 | 9.3 | 1,314.3 | 156.3 |
| Latin America (6) | Various | 17 | 1.0 | 95.9 | 52.6 | Various | 28 | 3.7 | 313.2 | 156.7 |
| Other Joint Venture Programs (7) | Various | 61 | 9.8 | 1,447.7 | 244.9 | Various | 75 | 11.5 | 1,548.9 | 256.7 |
| **Total** | | **358** | **55.6** | **$9,521.8** | **$ 1,087.4** | | **412** | **63.9** | **$10,485.1** | **$ 1,257.0** |

* Ownership % is a blended rate

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The table below presents the Company's share of net income/(loss) for the above investments which is included in the Company's Condensed Consolidated Statements of Income in Equity in income of joint ventures, net for the three and nine months ended September 30, 2014 and 2013 (in millions):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| KimPru and KimPru II | $2.6 | $2.4 | $7.7 | $6.6 |
| KIR (3) (11) (20) | 6.5 | 9.0 | 19.4 | 23.5 |
| Kimstone (10) | 1.3 | 1.8 | 0.6 | 1.7 |
| BIG Shopping Centers (21) | 1.0 | 0.9 | 2.6 | 2.3 |
| CPP | 2.1 | 1.5 | 5.2 | 4.5 |
| KIF (8) | - | 0.9 | 0.9 | 2.5 |
| SEB Immobilien (12) | 0.2 | 0.3 | 0.7 | 0.8 |
| Other Institutional Programs (5) | 2.4 | 0.4 | 2.4 | 2.8 |
| RioCan | 7.7 | 7.3 | 23.0 | 20.0 |
| Latin America (6) (14) (15) (16) (17) | 0.8 | 69.3 | 35.3 | 101.4 |
| Other Joint Venture Programs (7) (13) (18) (19) | 27.2 | 2.4 | 52.3 | 13.7 |
| Total | $51.8 | $96.2 | $150.1 | $179.8 |

(1) This venture represents four separate joint ventures, with four separate accounts managed by Prudential Real Estate Investors ("PREI"), three of these ventures are collectively referred to as KimPru and the remaining venture is referred to as KimPru II.

(2) The Company manages these joint venture investments and, where applicable, earns acquisition fees, leasing commissions, property management fees, asset management fees and construction management fees.

(3) During the nine months ended September 30, 2014, KIR sold two operating properties for a sales price of $17.7 million. In connection with the two dispositions, the Company recognized its share of an aggregate net gain of $1.1 million.

(4) During the nine months ended September 30, 2014, the Company acquired three properties from a joint venture in which the Company has a noncontrolling interest for a total sales price of $93.2 million. The Company evaluated this transaction pursuant to the FASB's Consolidation guidance. As such, the Company recognized a gain of $3.7 million from the fair value adjustment associated with the Company's original ownership due to a change in control and now consolidates these operating properties.

(5) During the nine months ended September 30, 2014, two joint ventures in which the Company holds a noncontrolling interest sold two operating properties for an aggregate sales price of $46.6 million and recognized an aggregate gain of $11.1 million. The Company's share of this gain was $2.2 million.

(6) During the nine months ended September 30, 2014, the Company sold its noncontrolling interest in 10 operating properties located throughout Mexico based on a gross aggregate sales price of $202.1 million. The Company recognized a net gain of $30.0 million, before income taxes, associated with these transactions.

(7) During the nine months ended September 30, 2014, a joint venture in which the Company holds a noncontrolling interest sold 14 operating properties for an aggregate sales price of $158.5 million and recognized an aggregate gain of $51.9 million. The Company's share of this gain was $26.2 million.

(8) During the nine months ended September 30, 2014, the Company purchased the remaining interest in KIF based on a gross purchase price of $408.0 million. The Company evaluated this transaction pursuant to the FASB's Consolidation guidance. As such, the Company recognized a gain of $65.6 million from the fair value adjustment associated with the Company's original ownership due to a change in control and now consolidates these operating properties.

(9) During the nine months ended September 30, 2014, KimPru acquired an additional parcel within one of its existing operating properties in Elk Grove, CA for a purchase price of $10.5 million. The Company's capital contribution for this acquisition was $1.6 million.

(10) During June 2013, Blackstone Real Estate Partners VII and the Company entered into a new joint venture (Kimstone) in which the Company owns a 33.3% noncontrolling interest.

(11) During the nine months ended September 30, 2014, KIR recognized aggregate impairment charges of $5.0 million related to two properties which KIR anticipates selling within the next 18 months. KIR effectively shortened its anticipated hold period for these assets which resulted in the expected future cash flows being less than the carrying value. The Company's share of these impairment charges was $2.8 million.

(12) During the nine months ended September 30, 2014, the Company purchased the remaining 85% interest in 10 SEB properties based on a gross purchase price of $275.8 million including the assumption of $193.6 million of mortgage debt. The Company evaluated this transaction pursuant to the FASB's Consolidation guidance. As such, the Company recognized a gain of $14.4 million from the fair value adjustment associated with the Company's original ownership due to a change in control and now consolidates these operating properties.

(13) During the nine months ended September 30, 2014, the Company received a distribution of $15.4 million from a joint venture that was in excess of its carrying value and as such, the Company recognized this amount as equity in income.

(14) During the nine months ended September 30, 2013, joint ventures in which the Company held noncontrolling interests sold ten operating properties located throughout Mexico for $315.5 million. These transactions resulted in an aggregate net gain to the Company of $21.8 million, after tax.

(15) During the nine months ended September 30, 2013, the Company and its joint venture partner sold their noncontrolling ownership interest in a joint venture which held interests in 84 operating properties located throughout Mexico for $603.5 million (including debt of $301.2 million). This transaction resulted in a net gain to the Company of $78.2 million, before income taxes of $25.1 million.

(16) During the nine months ended September 30, 2013, a joint venture in which the Company held a noncontrolling interest sold nine operating properties located throughout Chile for net proceeds of $17.6 million. This transaction resulted in a net gain to the Company of $4.0 million.

(17) During the nine months ended September 30, 2013, the Company recorded impairment charges of $12.9 million on six properties that were in advanced negotiations to sell located throughout Mexico based upon the anticipated selling prices.

(18) During the nine months ended September 30, 2013, a joint venture in which the Company has a noncontrolling interest sold on operating property for a sales price of $7.6 million and recognized an impairment charge of $2.0 million. The Company's share of this impairment charge was $1.0 million.

(19) During June 2013, the InTown portfolio was sold for a sales price of $735.0 million which included the assignment of $609.2 million in debt. This transaction resulted in a deferred gain to the Company of $21.7 million.

(20) During the nine months ended September 30, 2013, KIR sold an operating property in Cincinnati, OH for a sales price of $30.0 million and recognized a gain of $6.1 million. The Company's share of this gain was $3.0 million.

(21) During October 2014, the Company and their joint venture partner BIG divided 15 of the 21 properties in the BIG Shopping Centers venture with the Company receiving a 99% ownership interest in seven operating properties and BIG receiving a 99% ownership interest in eight operating properties. As a result of this transaction, the Company will consolidate these seven properties. Subsequent to this transaction the BIG Shopping Centers venture holds six operating properties.

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The table below presents debt balances within the Company's unconsolidated joint venture investments for which the Company held noncontrolling ownership interests at September 30, 2014 and December 31, 2013 (dollars in millions):

| Venture | As of September 30, 2014 Mortgages and Notes Payable | Weighted Average Interest Rate | | Weighted Average Remaining Term (months)** | As of December 31, 2013 Mortgages and Notes Payable | Weighted Average Interest Rate | | Weighted Average Remaining Term (months)** |
|---|---|---|---|---|---|---|---|---|
| KimPru and KimPru II | $921.2 | 5.53 | % | 26.0 | $923.4 | 5.53 | % | 35.0 |
| KIR | 870.6 | 5.04 | % | 64.9 | 889.1 | 5.05 | % | 75.1 |
| Kimstone | 729.5 | 4.46 | % | 30.8 | 749.9 | 4.62 | % | 39.3 |
| BIG Shopping Centers | 406.3 | 5.41 | % | 34.2 | 406.5 | 5.39 | % | 40.1 |
| CPP | 112.6 | 5.03 | % | 13.1 | 138.6 | 5.23 | % | 19.0 |
| Kimco Income Fund | - | - | | - | 158.0 | 5.45 | % | 8.7 |
| SEB Immobilien | 50.2 | 4.06 | % | 38.7 | 243.8 | 5.11 | % | 43.3 |
| RioCan | 679.0 | 4.46 | % | 40.5 | 743.7 | 4.59 | % | 48.0 |
| Other Institutional Programs | 223.4 | 5.47 | % | 23.8 | 272.9 | 5.32 | % | 31.0 |
| Other Joint Venture Programs | 952.5 | 5.33 | % | 59.5 | 1,063.1 | 5.53 | % | 60.6 |
| Total | $4,945.3 | | | | $5,589.0 | | | |

** Average Remaining Term includes extension options.

5. Other Real Estate Investments

*Preferred Equity Capital -*

The Company has provided capital to owners and developers of real estate properties through its Preferred Equity Program. As of September 30, 2014, the Company's net investment under the Preferred Equity Program was $232.3 million relating to 446 properties, including 385 net leased properties. During the nine months ended September 30, 2014, the Company earned $17.5 million from its preferred equity investments, including $3.7 million in profit participation earned from three capital transactions. During the nine months ended September 30, 2013, the Company earned $37.9 million from its preferred equity investments, including $20.3 million in profit participation earned from nine capital transactions.

6. Variable Interest Entities

*Consolidated Ground-Up Development Projects*

Included within the Company's ground-up development projects at September 30, 2014, are two entities that are VIEs, for which the Company is the primary beneficiary. These entities were established to develop real estate property to hold as long-term investments. The Company's involvement with these entities is through its majority ownership and management of the properties. These entities were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The initial equity contributed to these entities was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was the primary beneficiary of these VIEs as a result of its controlling financial interest.

At September 30, 2014, total assets of these ground-up development VIEs were $88.2 million and total liabilities were $0.5 million. The classification of these assets is primarily within Real estate under development and the classification of liabilities is primarily within accounts payable and accrued expenses, which is included in Other liabilities in the Company's Condensed Consolidated Balance Sheets.

Substantially all of the projected development costs to be funded for these ground-up development VIEs, aggregating $35.6 million, will be funded with capital contributions from the Company and by the outside partners, when contractually obligated. The Company has not provided financial support to these VIEs that it was not previously contractually required to provide.

*Unconsolidated Redevelopment Investment*

Included in the Company's joint venture investments at September 30, 2014, is one unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture was primarily established to develop real estate property for long-term investment and was deemed a VIE primarily based on the fact that the equity investment at risk was not sufficient to permit the entity to finance its activities without additional financial support. The initial equity contributed to this entity was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has shared control of this entity along with the entity's partners and therefore does not have a controlling financial interest.

As of September 30, 2014, the Company's investment in this VIE was a negative $11.0 million, due to the fact that the Company had a remaining capital commitment obligation, which is included in Other liabilities in the Company's Condensed Consolidated Balance Sheets. The Company's maximum exposure to loss as a result of its involvement with this VIE is estimated to be $11.0 million, which is the remaining capital commitment obligation. The Company has not provided financial support to this VIE that it was not previously contractually required to provide. All future costs of development will be funded with capital contributions from the Company and the outside partner in accordance with their respective ownership percentages.

7. Mortgages and Other Financing Receivables:

The Company has various mortgages and other financing receivables which consist of loans acquired and loans originated by the Company. The Company reviews payment status to identify performing versus non-performing loans. As of September 30, 2014, the Company had a total of 13 loans aggregating $22.7 million all of which were identified as performing loans.

During the nine months ended September 30, 2014, the Company received full payment relating to three mortgage receivable loans which had an aggregate outstanding balance of $6.9 million. These loans bore interest at rates ranging between 7.97% and 10.0% and had scheduled maturities ranging from March 2014 to June 2019.

8. Marketable Securities and Other Investments

At September 30, 2014, the Company’s investment in marketable securities was $77.1 million which includes an aggregate unrealized gain of $40.0 million relating to marketable equity security investments.

9. Notes Payable

During March 2014, the Company established a new $1.75 billion unsecured revolving credit facility (the “Credit Facility”) with a group of banks, which is scheduled to expire in March 2018 with two additional six-month options to extend the maturity date, at the Company’s discretion, to March 2019. This Credit Facility replaced the Company’s existing $1.75 billion unsecured revolving credit facility which was scheduled to mature in October 2015. The Credit Facility, which can be increased to $2.25 billion through an accordion feature, accrues interest at a rate of LIBOR plus 92.5 basis points on drawn funds. In addition, the Credit Facility includes a $500 million sub-limit which provides the Company the opportunity to borrow in alternative currencies including Canadian dollars, British Pounds Sterling, Japanese Yen or euros. Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum leverage ratios on both unsecured and secured debt and (ii) minimum interest and fixed coverage ratios. As of September 30, 2014, the Credit Facility had a balance of $250.0 million outstanding and $1.1 million appropriated for letters of credit.

During April 2014, the Company issued $500.0 million of 7-year Senior Unsecured Notes at an interest rate of 3.20% payable semi-annually in arrears which are scheduled to mature in May 1, 2021. The Company used the net proceeds from the offering of $495.4 million after deducting the underwriting discount and offering expenses, for general corporate purposes including reducing borrowings under the Credit Facility and repayment of maturing debt. In connection with this issuance, the Company entered into a seventh supplemental indenture which, among other things, revised, for all securities created on or after the date of the seventh supplemental indenture, the definition of Unencumbered Total Asset Value, used to determine compliance with certain covenants within the indenture.

During the nine months ended September 30, 2014, the Company repaid (i) its $100.0 million 5.95% senior unsecured notes, which matured in June 2014 and (ii) its remaining $194.6 million 4.82% senior unsecured notes, which also matured in June 2014.

The Company had a 1.0 billion Mexican peso (“MXN”) term loan which was scheduled to mature in March 2018 and bore interest at a rate equal to TIIE (Equilibrium Interbank Interest Rate) plus 1.35%. This 1.0 billion MXN term loan (USD $76.3 million) was repaid during September 2014.

10. Mortgages Payable

During the nine months ended September 30, 2014, the Company (i) assumed $618.3 million of individual non-recourse mortgage debt relating to the acquisition of 48 operating properties, including an increase of $34.2 million associated with fair value debt adjustments, (ii) paid off $298.3 million of mortgage debt that encumbered 18 properties and (iii) entered into a new non-recourse mortgage for $15.7 million encumbering one property.

11. Noncontrolling Interests

Noncontrolling interests represent the portion of equity that the Company does not own in those entities it consolidates as a result of having a controlling financial interest in accordance with the provisions of the FASB’s Consolidation guidance. The Company identifies its noncontrolling interests separately within the equity section on the Company’s Condensed Consolidated Balance Sheets. Noncontrolling interests also includes amounts related to partnership units issued by consolidated subsidiaries of the Company in connection with certain property acquisitions. Partnership units which are determined to be mandatorily redeemable under the FASB’s Distinguishing Liabilities from Equity guidance are classified as Redeemable noncontrolling interests and presented in the mezzanine section between Total liabilities and Stockholder’s equity on the Company’s Condensed Consolidated Balance Sheets. The amounts of consolidated net income attributable to the Company and to the noncontrolling interests are presented on the Company’s Condensed Consolidated Statements of Income.

The following table presents the change in the redemption value of the Redeemable noncontrolling interests for the nine months ended September 30, 2014 and September 30, 2013 (amounts in thousands):

| | **2014** | **2013** |
|---|---|---|
| Balance at January 1, | $86,153 | $81,076 |
| Issuance of redeemable units/partnership interest | 4,943 | 5,223 |
| Fair market value adjustment, net | 225 | (484 ) |
| Other | 92 | 88 |
| Balance at September 30, | $91,413 | $85,903 |

12. Fair Value Measurements

All financial instruments of the Company are reflected in the accompanying Condensed Consolidated Balance Sheets at amounts which, in management's estimation based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values except those listed below, for which fair values are disclosed.  The valuation method used to estimate fair value for fixed-rate and variable-rate debt is based on discounted cash flow analyses, with assumptions that include credit spreads, market yield curves, trading activity, loan amounts and debt maturities.  The fair values for marketable securities are based on published values, securities dealers' estimated market values or comparable market sales.  Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition.

As a basis for considering market participant assumptions in fair value measurements, the FASB's Fair Value Measurements and Disclosures guidance 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 following are financial instruments for which the Company’s estimate of fair value differs from the carrying amounts (in thousands):

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Amounts | Estimated Fair Value | Carrying Amounts | Estimated Fair Value |
| Marketable securities (1) | $77,123 | $77,253 | $62,766 | $62,824 |
| Notes payable (2) | $3,353,458 | $3,513,711 | $3,186,047 | $3,333,614 |
| Mortgages payable (3) | $1,343,859 | $1,399,124 | $1,035,354 | $1,083,801 |

(1) As of September 30, 2014 and December 31, 2013, the Company determined that $74.5 million and $59.7 million, respectively, of the Marketable securities estimated fair value were classified within Level 1 of the fair value hierarchy and the remaining $2.8 million and $3.1 million, respectively, were classified within Level 3 of the fair value hierarchy.

(2) The Company determined that its valuation of Notes payable was classified within Level 2 of the fair value hierarchy.

(3) The Company determined that its valuation of Mortgages payable was classified within Level 3 of the fair value hierarchy.

The Company has certain financial instruments that must be measured under the FASB’s Fair Value Measurements and Disclosures guidance, including available for sale securities. The Company currently does not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

The table below presents the Company’s financial assets measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

| | Balance at September 30, 2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Marketable equity securities | $ 74,547 | $74,547 | $ - | $ - |

| | Balance at | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|

| | December 31, 2013 | | | |
|---|---|---|---|---|
| Marketable equity securities | $ 59,723 | $59,723 | $ - | $ - |

Assets measured at fair value on a non-recurring basis at September 30, 2014 and December 31, 2013, are as follows (in thousands):

| | Balance at September 30, 2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Real estate | $ 228,798 | $ - | $ - | $228,798 |

| | Balance at December 31, 2013 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Real estate | $217,529 | $ - | $ - | $217,529 |
| Joint venture investments | $59,693 | $ - | $ - | $59,693 |
| Other real estate investments | $2,050 | $ - | $ - | $2,050 |
| Cost method investment | $4,670 | $ - | $ - | $4,670 |

During the nine months ended September 30, 2014, the Company recognized impairment charges of $107.0 million of which $61.3 million, before noncontrolling interests and income taxes, is included in discontinued operations. These impairment charges consist of (i) $102.2 million related to adjustments to property carrying values and (ii) $4.8 million related to a cost method investment. During the nine months ended September 30, 2013, the Company recognized impairment charges of $167.2 million of which $83.3 million, before noncontrolling interests and income taxes, is included in discontinued operations. These impairment charges consist of (i) $153.0 million related to adjustments to property carrying values, $10.0 million related to a cost method investment, $1.0 million related to certain joint venture investments and $3.2 million related to a preferred equity investment.

The Company's estimated fair values, as it relates to property carrying values were primarily based upon (i) estimated sales prices from third party offers based on signed contracts or letters of intent (this method was used to determine $80.5 million of the $102.2 million in impairments recognized during the nine months ended September 30, 2014), for which the Company does not have access to the unobservable inputs used to determine these estimated fair values, and (ii) discounted cash flow models (this method was used to determine $21.7 million of the $102.2 million in impairments recognized during the nine months ended September 30, 2014). The discounted cash flow models include all estimated cash inflows and outflows over a specified holding period. These cash flows were comprised of unobservable inputs which include forecasted revenues and expenses based upon market conditions and expectations for growth. The capitalization rates primarily ranging from 5.0% to 15.0% and discount rates primarily ranging from

6.0% to 16.0% which were utilized in the models were based upon observable rates that the Company believes to be within a reasonable range of current market rates for each respective investments.

The Company's estimated fair value as it relates to the cost method investment, was based upon a discounted cash flow model. The discounted cash flow model includes all estimated cash inflows and outflows over a specified holding period. These cash flows were comprised of unobservable inputs which include forecasted revenues and expenses based upon market conditions and expectations for growth. The capitalization rate of 6.0% and discount rate of 9.1% which were utilized in this model were based upon observable rates that the Company believes to be within a reasonable range of current market rates for the respective investment.

Based on these inputs the Company determined that its valuation of these investments was classified within Level 3 of the fair value hierarchy. (See Footnote 2 for additional discussion regarding impairment charges).

13. Preferred Stock

The Company's outstanding Preferred Stock is detailed below:

**As of September 30, 2014 and December 31, 2013**

| Series of Preferred Stock | Shares Authorized | Shares Issued and Outstanding | Liquidation Preference (in thousands) | Dividend Rate | | Annual Dividend per Depositary Share | Par Value |
|---|---|---|---|---|---|---|---|
| Series H | 70,000 | 70,000 | $ 175,000 | 6.90 | % | $ 1.72500 | $ 1.00 |
| Series I | 18,400 | 16,000 | 400,000 | 6.00 | % | $ 1.50000 | $ 1.00 |
| Series J | 9,000 | 9,000 | 225,000 | 5.50 | % | $ 1.37500 | $ 1.00 |
| Series K | 8,050 | 7,000 | 175,000 | 5.625 | % | $ 1.40625 | $ 1.00 |
| | 105,450 | 102,000 | $ 975,000 | | | | |

14. Supplemental Schedule of Non-Cash Investing / Financing Activities

The following schedule summarizes the non-cash investing and financing activities of the Company for the nine months ended September 30, 2014 and 2013 (in thousands):

| | **2014** | | **2013** | |
|---|---|---|---|---|
| Acquisition of real estate interests by assumption of mortgage debt | $ | 210,232 | $ | 36,716 |
| Acquisition of real estate interests by issuance of redeemable units/partnership interest | $ | 6,122 | $ | 3,985 |
| Acquisition of real estate interests through proceeds held in escrow | $ | 71,116 | $ | - |
| Acquisition of real estate interests through | $ | - | $ | 24,322 |

| | | | | |
|---|---|---|---|---|
| mortgage receivable foreclosure | | | | |
| Proceeds held in escrow through sale of real estate interests | $ | 147,728 | $ | - |
| Issuance of restricted common stock | $ | 13,835 | $ | 9,213 |
| Surrender of restricted common stock | $ | (3,981) | $ | (3,851) |
| Disposition of real estate through the issuance of an unsecured obligation | $ | - | $ | 3,513 |
| Declaration of dividends paid in succeeding period | $ | 104,858 | $ | 98,334 |
| Consolidation of Joint Ventures: | | | | |
| Increase in real estate and other assets | $ | 509,839 | $ | 228,200 |
| Increase in mortgages payable | $ | 373,879 | $ | 206,489 |

15. Incentive Plans

The Company maintains two equity participation plans, the Second Amended and Restated 1998 Equity Participation Plan (the "Prior Plan") and the 2010 Equity Participation Plan (the "2010 Plan") (collectively, the "Plans"). The Prior Plan provides for a maximum of 47,000,000 shares of the Company's common stock to be issued for qualified and non-qualified stock options and restricted stock grants. Effective May 1, 2012, the 2010 Plan provides for a maximum of 10,000,000 shares of the Company's common stock to be issued for qualified and non-qualified stock options and other awards, plus the number of shares of common stock which are or become available for issuance under the Prior Plan and which are not thereafter issued under the Prior Plan, subject to certain conditions. Unless otherwise determined by the Board of Directors at its sole discretion, stock options granted under the Plans generally vest ratably over a range of three to five years, expire ten years from the date of grant and are exercisable at the market price on the date of grant. Restricted stock grants generally vest (i) 100% on the fourth or fifth anniversary of the grant, (ii) ratably over three or four years or (iii) over ten years at 20% per year commencing after the fifth year. Performance share awards, which vest over a period of one to three years, may provide a right to receive shares of the Company's common stock or restricted stock based on the Company's performance relative to its peers, as defined, or based on other performance criteria as determined by the Board of Directors. In addition, the Plans provide for the granting of certain stock options and restricted stock to each of the Company's non-employee directors (the "Independent Directors") and permit such Independent Directors to elect to receive deferred stock awards in lieu of directors' fees.

The Company recognized expenses associated with its equity awards of $14.5 million and $15.1 million for the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014, the Company had $28.8 million of total unrecognized compensation cost related to unvested stock compensation granted under the Plans. That cost is expected to be recognized over a weighted average period of approximately 3.1 years.

16. Accumulated Other Comprehensive Income ("AOCI")

The following table displays the change in the components of accumulated other comprehensive income for the nine months ended September 30, 2013 and 2014:

| | **Foreign Currency Translation Adjustments** | **Unrealized Gains on Available-for-Sale Investments** | **Total** |
|---|---|---|---|
| Balance as of January 1, 2013 | $ (85,404) | $ 19,222 | $(66,182) |
| Other comprehensive income before reclassifications | (1,834) | 31,082 | 29,248 |
| Amounts reclassified from AOCI (1) | - | (7,194) | (7,194) |
| Other comprehensive income | (1,834) | 23,888 | 22,054 |
| Balance as of September 30, 2013 | $ (87,238) | $ 43,110 | $(44,128) |

(1) Amounts were reclassified to Interest, dividends and other investment income on the Company's Condensed Consolidated Statements of Income.

| | **Foreign Currency Translation Adjustments** | **Unrealized Gains on Available-for-Sale Investments** | **Total** |
|---|---|---|---|
| Balance as of January 1, 2014 | $ (90,977) | $ 25,995 | $(64,982) |
| Other comprehensive income before reclassifications | (17,618) | 13,980 | (3,638) |
| Amounts reclassified from AOCI | - | - | - |
| Net current-period other comprehensive income | (17,618) | 13,980 | (3,638) |
| Balance as of September 30, 2014 | $ (108,595) | $ 39,975 | $(68,620) |

At September 30, 2014, the Company had net unrealized cumulative translation adjustment ("CTA") losses relating to its investments in foreign entities of $108.6 million, after noncontrolling interests of $5.8 million. The CTA losses are comprised of $127.0 million of unrealized losses relating to its Latin American investments, $113.4 million of which is related to Mexico, partially offset by, $18.4 million of unrealized gains relating to its Canadian investments. The CTA losses result from currency fluctuations between local currency and the U.S. dollar during the period in which the Company held its investment. CTA amounts are subject to future changes resulting from ongoing fluctuations in the respective foreign currency exchange rates. Under U.S. GAAP, the Company is required to release CTA balances into earnings when the Company has substantially liquidated its investment in a foreign entity. During 2013, the Company began selling properties within its Latin American portfolio. The Company anticipates it will, in the near term, substantially liquidate all of its investments in this portfolio which will require the then unrealized loss on foreign currency translation to be recognized as a charge against earnings.

17. Pro Forma Financial Information

As discussed in Note 2, the Company and certain of its affiliates acquired and disposed of interests in certain operating properties during the nine months ended September 30, 2014. The pro forma financial information set forth below is based upon the Company's historical Condensed Consolidated Statements of Income for the nine months ended September 30, 2014 and 2013, adjusted to give effect to these transactions at the beginning of 2013 and 2012, respectively.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of income would have been had the transactions occurred at the beginning of 2013 and 2012, respectively, nor does it purport to represent the results of income for future periods. (Amounts presented in millions, except per share figures).

| | **Nine Months Ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Revenues from rental property | $756.8 | $689.5 |
| Net income | $267.7 | $238.1 |
| Net income available to the Company's common shareholders | $217.5 | $186.2 |
| Net income available to the Company's common shareholders per common share: | | |
| Basic | $0.53 | $0.46 |
| Diluted | $0.53 | $0.45 |

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by the Company contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with the safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company’s future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project” or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company’s control and could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to (i) general adverse economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or a general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt or other sources of financing or refinancing on favorable terms for the Company, (iv) the Company’s ability to raise capital by selling its assets, (v) changes in governmental laws and regulations, (vi) the level and volatility of interest rates and foreign currency exchange rates, (vii) risks related to our international operations, (viii) the availability of suitable acquisition, disposition and redevelopment opportunities, (ix) valuation and risks related to our joint venture and preferred equity investments, (x) valuation of marketable securities and other investments, (xi) increases in operating costs, (xii) changes in the dividend policy for the Company’s common stock, (xiii) the reduction in the Company’s income in the event of multiple lease terminations by tenants or a failure by multiple tenants to occupy their premises in a shopping center, (xiv) impairment charges and (xv) unanticipated changes in the Company’s intention or ability to prepay certain debt prior to maturity and/or hold certain securities until maturity and the risk factors discussed in Part II, Item 1A. included in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2013, accordingly, there is no assurance that the Company’s expectations will be realized.

The following discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes thereto. These unaudited financial statements include all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

### Executive Summary

Kimco Realty Corporation is one of the nation’s largest publicly-traded owners and operators of neighborhood and community shopping centers. As of September 30, 2014, the Company had interests in 814 shopping center properties (the “Combined Shopping Center Portfolio”), aggregating 116.8 million square feet of gross leasable area (“GLA”) and 541 other property interests, primarily through the Company’s preferred equity investments and other real estate investments, totaling 12.1 million square feet of GLA, for a grand total of 1,355 properties aggregating 128.9 million square feet of GLA, located in 41 states, Puerto Rico, Canada, Mexico, Chile and Peru.

The executive officers are engaged in the day-to-day management and operation of real estate exclusively with the Company, with nearly all operating functions, including leasing, asset management, maintenance, construction, legal, finance and accounting, administered by the Company.

The Company’s strategy is to be the premier owner and operator of neighborhood and community shopping centers through investments primarily in the U.S. and Canada. To achieve this strategy the Company is (i) striving to transform the quality of its portfolio by disposing of lesser quality assets and acquiring larger higher quality properties in key markets identified by the Company, (ii) simplifying its business by exiting Mexico and South America and reducing the number of joint venture investments and (iii) pursuing redevelopment opportunities within its portfolio to increase overall value. During the second quarter of 2014, the Company implemented a plan to accelerate its disposition of certain U.S. properties and in accordance with this strategy the Company identified approximately 150 operating properties to sell within the next 18 months. This plan effectively shortened the Company’s anticipated hold period for these properties and as such caused the Company to recognize impairment charges on certain consolidated operating properties. If the Company accepts sales prices for these assets that are less than their net carrying values, the Company would be required to take additional impairment charges. Additionally, the Latin America dispositions could represent the substantial liquidation of these foreign investments, which will require the then unrealized loss on foreign currency translation to be recognized as a charge against earnings (see Item 3 – “Quantitative and Qualitative Disclosures About Market Risk – Foreign Investments”).

Results of Operations

*Comparison of the three months ended September 30, 2014 and 2013*

| | **Three Months Ended September 30, (amounts in millions)** | | | |
|---|---|---|---|---|
| | **2014** | **2013** | **Increase** | **% change** |
| Revenues from rental property (1) | $253.4 | $212.2 | $ 41.2 | 19.4 % |
| Rental property expenses: (2) | | | | |
| Rent | $3.6 | $3.3 | $ 0.3 | 9.1 % |
| Real estate taxes | 31.6 | 28.2 | 3.4 | 12.1 % |
| Operating and maintenance | 32.1 | 23.8 | 8.3 | 34.9 % |
| | $67.3 | $55.3 | $ 12.0 | 21.7 % |
| Depreciation and amortization (3) | $69.2 | $57.9 | $ 11.3 | 19.5 % |

*Comparison of the nine months ended September 30, 2014 to 2013*

| | **Nine Months Ended September 30, (amounts in millions)** | | | |
|---|---|---|---|---|
| | **2014** | **2013** | **Increase** | **% change** |
| Revenues from rental property (1) | $723.9 | $629.7 | $ 94.2 | 15.0 % |
| Rental property expenses: (2) | | | | |
| Rent | $10.4 | $10.0 | $ 0.4 | 4.0 % |
| Real estate taxes | 92.4 | 81.3 | 11.1 | 13.7 % |
| Operating and maintenance | 90.2 | 73.7 | 16.5 | 22.4 % |
| | $193.0 | $165.0 | $ 28.0 | 17.0 % |
| Depreciation and amortization (3) | $191.4 | $170.8 | $ 20.6 | 12.1 % |

(1) Revenues from rental property increased primarily from the combined effect of (i) the acquisition of operating properties during 2014 and 2013, providing incremental revenues for the three and nine months ended September

30, 2014, of $33.0 million and $72.8 million, respectively, as compared to the corresponding periods in 2013 and (ii) an overall increase in the consolidated shopping center portfolio occupancy to 95.0% at September 30, 2014, as compared to 93.6% at September 30, 2013, the completion of certain development and redevelopment projects, tenant buyouts and net growth in the current portfolio, providing incremental revenues for the three and nine months ended September 30, 2014, of $8.5 million and $21.7 million, respectively, as compared to the corresponding periods in 2013, partially offset by (iii) a decrease in revenues relating to the Company's Latin America portfolio of $0.3 million and $0.3 million, respectively, for the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013.

(2) Rental property expenses include (i) rent expense relating to ground lease payments for which the Company is the lessee, (ii) real estate tax expense for consolidated properties for which the Company has a controlling ownership interest and (iii) operating and maintenance expense, which consists of property related costs including repairs and maintenance costs, roof repair, landscaping, parking lot repair, snow removal, utilities, property insurance costs, security and various other property related expenses. Rental property expenses increased for the three months ended September 30, 2014, as compared to the corresponding period in 2013, primarily due to (i) an increase in real estate taxes of $3.4 million, (ii) an increase in repairs and maintenance costs of $4.8 million, (iii) an increase in insurance premiums and claims paid of $2.3 million, (iv) an increase in property services of $1.1 million and (v) an increase in utilities expense of $1.0 million. Rental property expenses increased for the nine months ended September 30, 2014, as compared to the corresponding period in 2013, primarily due to (i) an increase in real estate taxes of $11.1 million, (ii) an increase in repairs and maintenance costs of $7.0 million, (iii) an increase in snow removal costs of $3.0 million, (iv) an increase in insurance premiums and claims paid of $2.5 million, (v) an increase in property services of $2.3 million and (vi) an increase in utilities expense of $1.3 million. These increases are primarily due to acquisitions of properties during 2014 and 2013.

(3) Depreciation and amortization increased for the three and nine months ended September 30, 2014, as compared to the corresponding period in 2013, primarily due to operating property acquisitions during 2014 and 2013.

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General and administrative costs include employee-related expenses (salaries, bonuses, equity awards, benefits, severance costs and payroll taxes), professional fees, office rent, travel expense and other company-specific expenses. General and administrative expenses decreased $2.2 million for the three months ended September 30, 2014, as compared to the corresponding period in 2013, due to a decrease of $1.2 million in professional fees and a decrease in $0.9 million for personnel related expenses.

During the nine months ended September 30, 2014, the Company recognized impairment charges of $107.0 million of which $61.3 million, before noncontrolling interests and income taxes, is included in discontinued operations. These impairment charges consist of (i) $102.2 million related to adjustments to property carrying values and (ii) $4.8 million related to a cost method investment. The adjustments to property carrying values were recognized in connection with the Company's efforts to market certain properties and management's assessment as to the likelihood and timing of such potential transactions and the anticipated hold period for such properties. During the second quarter ended June 30, 2014, the Company implemented a plan to accelerate its disposition of certain properties and in accordance with this strategy the Company identified approximately 150 operating properties to sell within the next 18 months. This plan effectively shortened the Company's anticipated hold period for these properties and as a result the Company recognized impairment charges on certain operating properties.

During the nine months ended September 30, 2013, the Company recognized impairment charges of $167.2 million of which $83.3 million, before noncontrolling interests and income tax, is included in discontinued operations. These impairment charges consist of (i) $153.0 million related to adjustments to property carrying values, (ii) $10.0 million related to a cost method investment, (iii) $1.0 million related to certain joint venture investments and (iv) $3.2 million related to a preferred equity investment.

The Company's estimated fair values as it relates to the cost method investment, were based upon a discounted cash flow model. The discounted cash flow model includes all estimated cash inflows and outflows over a specified holding period. These cash flows were comprised of unobservable inputs which include forecasted revenues and expenses based upon market conditions and expectations for growth. The Company's estimated fair values as it relates to the property carrying values were primarily based upon (i) estimated sales prices from third party offers based on signed contracts or letters of intent, for which the Company does not have access to the unobservable inputs used to determine these estimated fair values and (ii) discounted cash flow models. The discounted cash flow models include all estimated cash inflows and outflows over a specified holding period. These cash flows were comprised of unobservable inputs which include forecasted revenues and expenses based upon market conditions and expectations for growth. Based on these inputs the Company determined that its valuation of these investments was classified within Level 3 of the fair value hierarchy.

Interest, dividends and other investment income decreased $8.8 million for the nine months ended September 30, 2014, as compared to the corresponding period in 2013. This decrease is primarily due to a decrease in realized gains of $5.3 million resulting from the sale of certain marketable securities during the nine months ended September 30, 2013, and a decrease in excess cash distributions related to cost method investments of $2.8 million for the nine months ended September 30, 2013.

Other (expense)/income, net changed $4.7 million to an expense of $1.2 million for the three months ended September 30, 2014, as compared to income of $3.5 million for the corresponding period in 2013. This change is primarily due to a decrease in gains from land sales of $4.5 million. Other (expense)/income, net changed $2.5 million to an expense of $3.8 million for the nine months ended September 30, 2014, as compared to an expense of $1.3 million for the corresponding period in 2013. This change is primarily due to a decrease in gains from land sales of $1.6 million and an increase in acquisition related costs of $1.6 million, partially offset by a decrease in franchise tax expense of $0.3 million.

Interest expense decreased $2.4 million and $7.4 million for the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These decreases are primarily related to lower interest rates on borrowings during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013.

Provision for income taxes, net decreased $18.4 million for the three months ended September 30, 2014, as compared to the corresponding period in 2013. This change is primarily due to (i) a decrease in foreign tax expense of $23.0 million primarily relating to the sale of certain unconsolidated properties during 2013 within the Company’s Latin American portfolio which were subject to foreign taxes at a consolidated reporting entity level, partially offset by (ii) a decrease in tax benefit of $4.5 million relating to lower equity in income recognized in connection with the Albertson’s investment in 2013.

Provision for income taxes, net decreased $11.9 million for the nine months ended September 30, 2014, as compared to the corresponding period in 2013. This change is primarily due to (i) a decrease in foreign tax expense of $14.5 million primarily relating to the sale of certain unconsolidated properties during 2013 within the Company’s Latin American portfolio which were subject to foreign taxes at a consolidated reporting entity level and (ii) a decrease in tax provision of $9.1 million relating to a change in control gain recognized during the nine months ended September 30, 2013, partially offset by, (iii) a partial release of the deferred tax valuation allowance of $8.7 million during the nine months ended September 30, 2013 related to the Company’s FNC portfolio based on the Company’s estimated future earnings of FNC and (iv) a decrease in tax benefit of $2.2 million relating to equity losses recognized in connection with the Company’s Albertson’s investment.

Equity in income of joint ventures, net decreased $44.4 million for the three months ended September 30, 2014, as compared to the corresponding period in 2013. This decrease is primarily due to (i) a decrease in gains of $71.0 million resulting from the sale of properties within various joint venture investments, primarily in Latin America during 2013 and (ii) lower equity in income resulting from the sales of properties within various joint venture investments and the acquisition of partnership interest in joint ventures by the Company during 2014 and 2013, partially offset by, (iii) an increase in equity in income of $15.4 million resulting from a cash distribution received in excess of the Company’s carrying basis and (iv) a decrease in impairment charges of $12.7 million during the three months ended September 30, 2014, as compared to the corresponding period in 2013, relating to various joint venture properties primarily located in Mexico.

Equity in income of joint ventures, net decreased $29.7 million for the nine months ended September 30, 2014, as compared to the corresponding period in 2013. This decrease is primarily the result of (i) a decrease in gains of $48.9 million resulting from the sale of properties within various joint venture investments and interests in joint ventures primarily located in Latin America during 2013, (ii) a decrease in equity in income of $1.4 million due to the sale of the InTown portfolio in 2013, (iii) a decrease of $6.0 million related to the sale of various joint ventures within the Company’s Latin American portfolio, and (iv) lower equity in income resulting from the sales of properties within various joint venture investments and the acquisition of partnership interest in joint ventures by the Company, during 2014 and 2013, partially offset by, (v) an increase in equity in income of $15.4 million resulting from a cash distribution received in excess of the Company’s carrying basis, and (vi) a decrease in impairment charges of $10.8 million relating to various joint venture properties primarily located in Mexico taken during the nine months ended 2013, as compared to 2014.

During the nine months ended September 30, 2014, the Company acquired 25 properties from joint ventures in which the Company had noncontrolling interests.  The Company recorded an aggregate gain on change in control of interests of $83.8 million related to the fair value adjustment associated with its original ownership of these properties.

During the nine months ended September 30, 2013, the Company acquired four properties from joint ventures in which the Company had noncontrolling interests.  The Company recorded an aggregate net gain on change in control of interests of $21.7 million related to the fair value adjustment associated with its original ownership of these properties.

Equity in income from other real estate investments, net decreased $4.5 million for the three months ended September 30, 2014, as compared to the corresponding period in 2013. This decrease is primarily due to a decrease of $16.3 million in earnings from the Company’s Preferred Equity Program primarily resulting from the sale of the Company’s interests in certain preferred equity investments during 2014 and 2013, partially offset by, an increase of $11.4 million in equity in income, resulting from lower net losses in the Albertson’s joint venture during the three months ended September 30, 2014, as compared to the corresponding period in 2013.

Equity in income from other real estate investments, net decreased $13.5 million for the nine months ended September 30, 2014, as compared to the corresponding period in 2013. This decrease is primarily due to a decrease of $20.5 million in earnings from the Company’s Preferred Equity Program primarily resulting from the sale of the Company’s interests in certain preferred equity investments during 2014 and 2013, partially offset by, an increase of $5.5 million in equity in income, resulting from lower net losses in the Albertson’s joint venture during the nine months ended September 30, 2014, as compared to the corresponding period in 2013.

During the nine months ended September 30, 2014, the Company disposed of 37 operating properties, in separate transactions, for an aggregate sales price of $458.1 million, including seven operating properties in Mexico. These transactions, which are included in Discontinued Operations on the Company’s Condensed Consolidated Statements of Income, resulted in an aggregate gain of $129.4 million, before income taxes and noncontrolling interests and aggregate impairment charges of $12.1 million, before income taxes and noncontrolling interests.

During the nine months ended September 30, 2013, the Company disposed of 22 operating properties and three out-parcels in separate transactions, for an aggregate sales price of $153.3 million. These transactions, which are included in Discontinued Operations, resulted in an aggregate gain of $9.5 million and aggregate impairment charges of $31.7 million, after income taxes.

Net income attributable to the Company was $194.7 million and $371.2 million for the three and nine months ended September 30, 2014, respectively. Net income attributable to the Company for the three and nine months ended September 30, 2013 was $55.8 million and $174.7 million, respectively. On a diluted per share basis, net income attributable to the Company was $0.44 and $0.79 for the three and nine month periods ended September 30, 2014, as compared to $0.10 and $0.32 for the three and nine month periods ended September 30, 2013. These changes are primarily attributable to (i) incremental earnings due to the acquisition of operating properties during 2014 and 2013 and increased profitability from the Company’s operating properties, (ii) an increase in gains on sale of operating properties, (iii) an increase in gain on change in control of interests, (iv) a decrease in tax provision relating to decreased gains on sales from joint venture properties during 2014, partially offset by, (v) a decrease in equity in income of joint ventures, net and equity in income of other real estate investments, net.

Tenant Concentration

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At September 30, 2014, the Company's five largest tenants were TJX Companies, The Home Depot, Wal-Mart, Royal Ahold, and Bed Bath & Beyond, which represented 3.2%, 2.5%, 2.0%, 1.9% and 1.7%, respectively, of the Company's annualized base rental revenues including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

Liquidity and Capital Resources

The Company's capital resources include accessing the public debt and equity capital markets, mortgage and construction loan financing, borrowings under term loans and immediate access to an unsecured revolving credit facility with bank commitments of $1.75 billion which can be increased to $2.25 billion through an accordion feature.

The Company's cash flow activities are summarized as follows (in millions):

| | **Nine Months Ended September 30,** | |
|---|---|---|
| | **2014** | **2013** |
| Net cash flow provided by operating activities | $510.0 | $533.8 |
| Net cash flow (used for)/provided by investing activities | $(72.1) | $70.3 |
| Net cash flow used for financing activities | $(432.5) | $(344.3) |

Operating Activities

The Company anticipates that cash on hand, borrowings under its revolving credit facility, issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company. Net cash flow provided by operating activities for the nine months ended September 30, 2014, was primarily attributable to (i) cash flow from the diverse portfolio of rental properties, (ii) the acquisition of operating properties during 2014 and 2013, (iii) new leasing, expansion and re-tenanting of core portfolio properties and (iv) operational distributions from the Company's joint venture programs.

Cash flows provided by operating activities for the nine months ended September 30, 2014, were $510.0 million, as compared to $533.8 million for the comparable period in 2013. This decrease of $23.8 million is primarily attributable to (i) decreased operational distributions from joint ventures and other real estate investments and (ii) changes in accounts payable and accrued expenses due to timing of payments, partially offset by, (iii) higher operational income from operating properties including properties acquired during 2014 and 2013.

Investing Activities

Cash flows used for investing activities for the nine months ended September 30, 2014, was $72.1 million, as compared to cash flows provided by investing activities of $70.3 million for the comparable period in 2013. This change of $142.4 million resulted primarily from (i) a decrease in reimbursements of investments and advances to real estate joint ventures of $265.4 million, (ii) an increase in acquisition of operating real estate of $199.7 million, (iii) an increase in improvements to operating real estate of $15.2 million, (iv) a decrease in reimbursements of other investments of $9.2 million, (v) a decrease in proceeds from sale/repayments of marketable securities of $7.0 million and (vi) a decrease in reimbursements of investments and advances to other real estate investments of $6.6 million, partially offset by, (vii) a decrease in investments and advances to real estate joint ventures of $229.9 million, (viii) an increase in proceeds from the sale of operating properties of $55.1 million, (ix) a decrease in investment in marketable securities of $29.0 million, (x) a decrease in investment in other investments of $21.4 million, (xi) a decrease in investment in other real estate investments of $19.6 million, and (xii) a decrease in investment/collection, net in mortgage loans receivable of $5.3 million.

*Acquisitions of Operating Real Estate*

During the nine months ended September 30, 2014 and 2013, the Company expended $382.1 million and $182.4 million, respectively, towards the acquisition of operating real estate properties. The Company's strategy is to continue to transform its operating portfolio through its capital recycling program by acquiring what the Company believes are high quality U.S. retail properties and disposing of lesser quality assets. The Company anticipates acquiring approximately $1.0 billion to $1.2 billion of operating properties during 2014. The Company intends to fund these acquisitions with proceeds from property dispositions, cash flow from operating activities, assumption of mortgage debt, if applicable, and availability under the Company's revolving line of credit.

*Improvements to Operating Real Estate -*

During the nine months ended September 30, 2014 and 2013, the Company expended $93.7 million and $78.5 million, respectively, towards improvements to operating real estate. These amounts consist of the following (in thousands):

| | The Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Redevelopment/renovations | $51,595 | $23,235 |
| Tenant improvements/tenant allowances | 38,611 | 45,496 |
| Other | 3,527 | 9,759 |
| Total | $93,733 | $78,490 |

Additionally, during the nine months ended September 30, 2014 and 2013, the Company capitalized interest of $1.3 million and $0.9 million, respectively, and capitalized payroll of $2.1 million and $0.9 million, respectively, in connection with the Company's improvements of real estate.

The Company has an ongoing program to redevelop and re-tenant its properties to maintain or enhance its competitive position in the marketplace. The Company is actively pursuing redevelopment opportunities within its operating portfolio which it believes will increase the overall value by bringing in new tenants and improving the assets' value. The Company has identified three categories of redevelopment, (i) large scale redevelopment, which involves demolishing and building new square footage, (ii) value creation redevelopment, which includes the subdivision of large anchor spaces into multiple tenant layouts, and (iii) creation of out-parcels and pads which are located in the front of the shopping center properties. The Company anticipates its capital commitment toward these redevelopment projects and re-tenanting efforts during 2014 will be approximately $100 million to $150 million. The funding of these capital requirements will be provided by cash flow from operating activities and availability under the Company's revolving line of credit.

*Investments and Advances to Real Estate Joint Ventures -*

During the nine months ended September 30, 2014, the Company expended $59.6 million for investments and advances to real estate joint ventures, primarily related to the repayment of mortgage debt and received $144.4 million from reimbursements of investments and advances to real estate joint ventures, including refinancing of debt and sales of properties.

Financing Activities

Cash flows used for financing activities for the nine months ended September 30, 2014, were $432.5 million, as compared to $344.3 million for the comparable period in 2013. This change of $88.2 million resulted primarily from (i) an increase in principal payments of $164.6 million, (ii) a decrease in proceeds from unsecured term loan/notes of $121.6 million, (iii) an increase in dividends paid of $21.0 million, (iv) a decrease in proceeds from mortgage loan financing of $20.3 million and (v) a decrease in proceeds from issuance of stock of $13.0 million, partially offset by, (vi) an increase in borrowings/repayments, net under the Company's unsecured revolving credit facility of $154.7 million, (vii) a decrease in repayments under unsecured term loan/notes of $75.9 million and (viii) a decrease in redemption of noncontrolling interests of $26.1 million.

The Company continually evaluates its debt maturities, and, based on management's current assessment, believes it has viable financing and refinancing alternatives that will not materially adversely impact its expected financial results. The Company continues to pursue borrowing opportunities with large commercial U.S. and global banks, select life insurance companies and certain regional and local banks. The Company has noticed a continuing trend that although pricing remains dependent on specific deal terms, generally spreads for non-recourse mortgage financing have been stable. The unsecured debt markets are functioning well and credit spreads are at manageable levels. The Company continues to assess 2014 and beyond to ensure the Company is prepared if credit market conditions weaken.

Debt maturities for the remainder of 2014 consist of: $6.5 million of consolidated debt; $71.6 million of unconsolidated joint venture debt and $40.9 million of debt on properties included in the Company's Preferred Equity Program, assuming the utilization of extension options where available. The 2014 consolidated debt maturities are anticipated to be repaid with operating cash flows, borrowings from the Company's credit facility (which at September 30, 2014, had $1.5 billion available) and debt refinancing. The 2014 unconsolidated joint venture and preferred equity debt maturities are anticipated to be repaid through debt refinancing and partner capital contributions, as deemed appropriate.

The Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintain its investment-grade debt ratings. The Company may, from time-to-time, seek to obtain funds through additional common and preferred equity offerings, unsecured debt financings and/or mortgage/construction loan financings and other capital alternatives.

Since the completion of the Company's IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over $9.8 billion. Proceeds from public capital market activities have been used for the purposes of, among other things, repaying indebtedness, acquiring interests in neighborhood and community shopping centers, funding ground-up development projects, expanding and improving properties in the portfolio and other investments.

During March 2014, the Company established a new $1.75 billion unsecured revolving credit facility (the "Credit Facility") with a group of banks, which is scheduled to expire in March 2018 with two additional six month options to extend the maturity date, at the Company's discretion, to March 2019. This Credit Facility replaced the Company's existing $1.75 billion unsecured revolving credit facility which was scheduled to mature in October 2015. The Credit Facility, which can be increased to $2.25 billion through an accordion feature, accrues interest at a rate of LIBOR plus 92.5 basis points on drawn funds. In addition, the Credit Facility includes a $500 million sub-limit which provides the Company the opportunity to borrow in alternative currencies including Canadian dollars, British Pounds Sterling, Japanese Yen or euros. Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum leverage ratios on both unsecured and secured debt and (ii) minimum interest and fixed coverage ratios. As of September 30, 2014, the Credit Facility had a balance of $250.0 million outstanding and $1.1 million appropriated for letters of credit.

Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to maintenance of various covenants. The Company is currently not in violation of these covenants. The financial covenants for the Credit Facility are as follows:

| **Covenant** | **Must Be** | **As of 9/30/14** |
|---|---|---|
| Total Indebtedness to Gross Asset Value ("GAV") | <60% | 37% |
| Total Priority Indebtedness to GAV | <35% | 10% |
| Unencumbered Asset Net Operating Income to Total Unsecured Interest Expense | >1.75x | 4.33x |
| Fixed Charge Total Adjusted EBITDA to Total Debt Service | >1.50x | 3.18x |

For a full description of the Credit Facility's covenants refer to the Credit Agreement dated as of March 17, 2014, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 20, 2014.

The Company had a 1.0 billion Mexican peso (“MXN”) term loan which was scheduled to mature in March 2018 and bore interest at a rate equal to TIIE (Equilibrium Interbank Interest Rate) plus 1.35%. During September 2014, the Company repaid the MXN 1.0 billion (USD $76.3 million) term loan.

The Company also has a $400.0 million unsecured term loan with a consortium of banks, which accrues interest at LIBOR plus 105 basis points (1.20% as of September 30, 2014). The term loan was scheduled to mature in April 2014, with three additional one-year options to extend the maturity date, at the Company’s discretion, to April 17, 2017. During January 2014, the Company exercised its option to extend the maturity date to April 17, 2015. Pursuant to the terms of the term loan credit agreement, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum indebtedness ratios and (ii) minimum interest and fixed charge coverage ratios. The term loan covenants are similar to the Credit Facility covenants described above.

During April 2012, the Company filed a shelf registration statement on Form S-3, which is effective for a term of three years, for the future unlimited offerings, from time-to-time, of debt securities, preferred stock, depositary shares, common stock and common stock warrants. The Company, pursuant to this shelf registration statement may, from time-to-time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company’s debt maturities.

The Company’s supplemental indentures governing its senior notes contains the following covenants, all of which the Company is compliant with:

| **Covenant** | **Must Be** | **As of 9/30/14** |
|---|---|---|
| Consolidated Indebtedness to Total Assets | <60% | 40% |
| Consolidated Secured Indebtedness to Total Assets | <40% | 11% |
| Consolidated Income Available for Debt Service to Maximum Annual Service Charge | >1.50x | 5.1x |
| Unencumbered Total Asset Value to Consolidated Unsecured Indebtedness | >1.50x | 2.6x |

For a full description of the various indenture covenants refer to the Indenture dated September 1, 1993; First Supplemental Indenture dated August 4, 1994; the Second Supplemental Indenture dated April 7, 1995; the Third Supplemental Indenture dated June 2, 2006; the Fifth Supplemental Indenture dated as of September 24, 2009; the Fifth Supplemental Indenture dated as of October 31, 2006; the Sixth Supplemental Indenture dated as of May 23, 2013 filed in the Company's Current Report on Form 8-K dated May 23, 2013; Seventh Supplemental Indenture dated as of April 24, 2014 filed in the Company's Current Report on Form 8-K dated April 24, 2014 and First Supplemental Indenture dated October 31, 2006, as filed with the U.S. Securities and Exchange Commission.

During April 2014, the Company issued $500.0 million of 7-year Senior Unsecured Notes at an interest rate of 3.20% payable semi-annually in arrears which are scheduled to mature in May 1, 2021. The Company used the net proceeds from the offering of $495.4 million after deducting the underwriting discount and offering expenses, for general corporate purposes including reducing borrowings under the Credit Facility and repayment of maturing debt, including the repayments of senior unsecured notes discussed below. In connection with this issuance, the Company entered into a seventh supplemental indenture which, among other things, revised, for all securities created on or after the date of the seventh supplemental indenture, the definition of Unencumbered Total Asset Value used to determine compliance with certain covenants within the indenture.

During the nine months ended September 30, 2014, the Company repaid (i) its $100.0 million 5.95% senior unsecured notes, which matured in June 2014 and (ii) its remaining $194.6 million 4.82% senior unsecured notes, which also matured in June 2014.

In addition to the public equity and debt markets as capital sources, the Company may, from time-to-time, obtain mortgage financing on selected properties and construction loans to partially fund the capital needs of its ground-up development projects.

During the nine months ended September 30, 2014, the Company (i) assumed $618.3 million of individual non-recourse mortgage debt relating to the acquisition of 48 operating properties, including an increase of $34.2 million associated with fair value debt adjustments, (ii) paid off $298.3 million of mortgage debt that encumbered 18 properties and (iii) entered into a new non-recourse mortgage of $15.7 million encumbering one property.

In connection with its intention to continue to qualify as a REIT for federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows. The Company’s Board of Directors will continue to evaluate the Company’s dividend policy on a quarterly basis as the Board of Directors monitors sources of capital and evaluates the impact of the economy and capital markets availability on operating fundamentals.  Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise and such other factors as the Board of Directors considers appropriate. Cash dividends paid for the nine months ended September 30, 2014 and 2013 were $320.7 million and $299.8 million, respectively.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments. The Company's Board of Directors declared a quarterly cash dividend of $0.225 per common share payable to shareholders of record on October 3, 2014, which was paid on October 15, 2014. The Board of Directors declared an increased quarterly cash dividend of $0.24 per common share, an annualized increase of 6.7%, payable to shareholders of record on January 2, 2015, which is scheduled to be paid on January 15, 2015.

Funds from Operations

Funds From Operations ("FFO") is a supplemental non-GAAP measure utilized to evaluate the operating performance of real estate companies. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income/(loss) attributable to common shareholders computed in accordance with generally accepted accounting principles ("GAAP"), excluding (i) gains or losses from sales of operating real estate assets and (ii) extraordinary items, plus (iii) depreciation and amortization of operating properties and (iv) impairment of depreciable real estate and in substance real estate equity investments and (v) after adjustments for unconsolidated partnerships and joint ventures calculated to reflect funds from operations on the same basis.

The Company presents FFO as it considers it an important supplemental measure of our operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting results. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

The Company also presents FFO as adjusted as an additional supplemental measure as it believes it is more reflective of the Company's core operating performance. The Company believes FFO as adjusted provides investors and analysts an additional measure in comparing the Company's performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. FFO as adjusted is generally calculated by the Company as FFO excluding certain transactional income and expenses and non-operating impairments which management believes are not reflective of the results within the Company's operating real estate portfolio.

FFO is a supplemental non-GAAP financial measure of real estate companies' operating performances, which does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative for net income as a measure of liquidity. Our method of calculating FFO and FFO as adjusted may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The Company's reconciliation of net income available to common shareholders to FFO and FFO as adjusted for the three and nine months ended September 30, 2014 and 2013, is as follows (in thousands, except per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Net income available to common shareholders | $180,135 | $41,190 | $327,500 | $130,952 |
| Gain on disposition of operating property, net of tax and noncontrolling interests | (89,262 ) | (23,922 ) | (118,420) | (28,827 ) |
| Gain on disposition of joint venture operating properties and change in control of interests | (26,106 ) | (57,651 ) | (137,530) | (108,407) |
| Depreciation and amortization - real estate related | 68,014 | 62,445 | 193,007 | 185,742 |
| Depreciation and amortization - real estate joint ventures, net of noncontrolling interests | 21,821 | 28,245 | 71,230 | 93,295 |
| Impairment of operating properties, net of tax and noncontrolling interests | 5,306 | 91,046 | 103,723 | 145,118 |
| **FFO** | **159,908** | **141,353** | **439,510** | **417,873** |
| Transactional (income)/expense: | | | | |
| Profit participation from other real estate investments | - | (9,083 ) | (2,799 ) | (13,175 ) |
| Transactional losses from other real estate investments | - | - | 3,497 | - |
| Gains from land sales, net of tax | (980 ) | (1,509 ) | (2,986 ) | (1,674 ) |
| Acquisition costs, net of tax | 2,248 | 532 | 4,861 | 3,327 |
| Severance costs | - | - | 2,869 | - |
| Distributions in excess of Company's investment basis | (15,439 ) | (79 ) | (15,523 ) | (2,045 ) |
| Impairment of other investments | 2,599 | 4,271 | 4,873 | 20,299 |
| Gain on sale of marketable securities | - | - | - | (5,329 ) |
| Deferred tax valuation allowance release | - | - | - | (9,126 ) |
| Other income, net | (134 ) | (876 ) | (2,053 ) | (1,240 ) |
| Total transactional income, net | (11,706 ) | (6,744 ) | (7,261 ) | (8,963 ) |
| **FFO as adjusted** | **$148,202** | **$134,609** | **$432,249** | **$408,910** |
| Weighted average shares outstanding for FFO calculations: | | | | |
| Basic | 409,326 | 408,060 | 408,868 | 407,459 |
| Units | 1,530 | 1,519 | 1,537 | 1,539 |
| Dilutive effect of equity awards | 2,967 | 2,378 | 3,006 | 2,622 |
| Diluted | 413,823 (1) | 411,957 (1) | 413,411 (1) | 411,620 (1) |
| **FFO per common share – basic** | **$0.39** | **$0.35** | **$1.07** | **$1.03** |
| **FFO per common share – diluted** | **$0.39** (1) | **$0.34** (1) | **$1.07** (1) | **$1.02** (1) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **FFO as adjusted per common share – basic** | **$0.36** | | **$0.33** | | **$1.06** | | **$1.00** | |
| **FFO as adjusted per common share – diluted** | **$0.36** | (1) | **$0.33** | (1) | **$1.05** | (1) | **$1.00** | (1) |

(1) *Reflects the potential impact if certain units were converted to common stock at the beginning of the period, which would have a dilutive effect on FFO. FFO would be increased by $747 and $621 for the three months ended September 30, 2014 and 2013, respectively, and $2,240 and $1,878 for the nine months ended September 30, 2014 and 2013, respectively. The effect of other certain convertible units would have an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations.*

Same Property Net Operating Income

Same Property Net Operating Income ("Same Property NOI") is a supplemental non-GAAP financial measure of real estate companies' operating performance. Same Property NOI is considered by management to be an important performance measure of the Company's operations and management believes that it is helpful to investors as a measure of the Company's operating performance because it includes only the net operating income of properties that have been owned for the entire current and prior year reporting periods and excludes properties under development and pending stabilization. As such, Same Property NOI assists in eliminating disparities in net income due to the development, acquisition or disposition of properties during the particular period presented, and thus provides a more consistent performance measure for the comparison of the Company's properties.

Same Property NOI is calculated using revenues from rental properties (excluding straight-line rents, lease termination fees and above/below market rents) less operating and maintenance expense, real estate taxes and rent expense, plus the Company's proportionate share of Same Property NOI from unconsolidated real estate joint ventures, calculated on the same basis. Same Property NOI includes all properties that are owned for the entire current and prior year reporting periods and excludes properties under development and properties pending stabilization. Properties are deemed stabilized at the earlier of (i) reaching 90% leased or (ii) one year following a projects inclusion in operating real estate (two years for Latin American properties).

Same Property NOI is a supplemental non-GAAP financial measure of real estate companies' operating performance and should not be considered an alternative to net income in accordance with GAAP or as a measure of liquidity. Our method of calculating Same Property NOI may differ from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The following is a reconciliation of the Company's Net income from continuing operations to Same Property NOI (in thousands):

| | **Three Months Ended** | | **Nine Months Ended** | |
|---|---|---|---|---|
| | **September 30,** | | **September 30,** | |
| | **2014** | **2013** | **2014** | **2013** |
| **Income from continuing operations** | $104,554 | $50,590 | $300,824 | $187,523 |
| Adjustments: | | | | |
| Management and other fee income | (8,679) | (9,310) | (26,245) | (26,752) |
| General and administrative expenses | 28,674 | 30,828 | 94,682 | 96,148 |
| Impairment of property carrying values | 6,141 | 58,650 | 45,691 | 83,887 |
| Depreciation and amortization | 69,188 | 57,933 | 191,423 | 170,827 |
| Other expense, net | 52,130 | 49,081 | 155,538 | 150,891 |
| Provision for income taxes, net | 5,366 | 23,763 | 14,651 | 26,584 |
| Gain on change in control of interests | (14,431) | - | (83,773) | (21,711) |
| Equity in income of other real estate investments, net | (6,036) | (10,547) | (16,404) | (29,910) |
| Non same property net operating income | (17,870) | (12,123) | (47,458) | (56,219) |
| Non-operational expense from joint ventures, net | 24,274 | (5,339) | 86,932 | 117,277 |
| **Same Property NOI** | 243,311 | 233,526 | 715,861 | 698,545 |
| Impact from foreign currency | - | (1,372) | - | (5,404) |
| **Same Property NOI, before foreign currency impact** | $243,311 | $232,154 | $715,861 | $693,141 |

Same Property NOI, before foreign currency impact increased by $11.2 million or 4.8% for the three months ended September 30, 2014, as compared to the corresponding period in 2013. Same Property NOI increased by $9.8 million or 4.2% for the three months ended September 30, 2014, as compared to the corresponding period in 2013. This increase is primarily the result of (i) an increase of $8.6 million related to lease-up and rent commencements in the portfolio and (ii) an increase of $2.6 million in other property income, partially offset by (iii) the impact from changes in foreign currency exchange rates of $1.4 million. Same Property NOI, before foreign currency impact increased by $22.7 million or 3.3% for the nine months ended September 30, 2014, as compared to the corresponding period in 2013. Same Property NOI increased by $17.3 million or 2.5% for the nine months ended September 30, 2014, as compared to the corresponding period in 2013. This increase is primarily the result of (i) an increase of $20.7 million related to lease-up and rent commencements in the portfolio and (ii) an increase of $2.0 million in other property income, partially offset by (iii) the impact from changes in foreign currency exchange rates of $5.4 million.

Leasing Activity

During the nine months ended September 30, 2014, the Company executed 689 leases totaling over 5.6 million square feet in the Company's consolidated operating portfolio comprised of 272 new leases and 417 renewals and options. The leasing costs associated with these new leases are anticipated to aggregate $33.3 million or $20.84 per square foot. These costs include $25.7 million of tenant improvements and $7.6 million of leasing commissions.

Tenant Lease Expirations

The following table sets forth the aggregate lease expirations for each of the next ten years, assuming no renewal options are exercised. For purposes of the table, the Total Annual Base Rent Expiring represents annualized rental revenue, for each lease that expires during the respective year. Amounts in thousands except for number of lease data:

| **Year Ending December 31,** | **Number of Leases Expiring** | **Square Feet Expiring** | **Total Annual Base Rent Expiring** | **% of Gross Annual Rent** | |
|---|---|---|---|---|---|
| (1) | 196 | 539 | $10,529 | 1.4 | % |
| 2014 | 123 | 459 | $7,388 | 1.0 | % |
| 2015 | 650 | 3,741 | $54,339 | 7.4 | % |
| 2016 | 777 | 6,082 | $79,406 | 10.9 | % |
| 2017 | 871 | 7,689 | $101,195 | 13.8 | % |
| 2018 | 770 | 6,297 | $87,889 | 12.0 | % |
| 2019 | 686 | 6,131 | $82,010 | 11.2 | % |
| 2020 | 336 | 4,345 | $53,862 | 7.4 | % |
| 2021 | 213 | 2,586 | $33,822 | 4.6 | % |
| 2022 | 202 | 2,366 | $31,864 | 4.4 | % |
| 2023 | 211 | 2,343 | $33,691 | 4.6 | % |
| 2024 | 224 | 3,542 | $47,303 | 6.5 | % |

(1) Leases currently under month to month lease or in process of renewal.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's primary market risk exposures are interest rate risk and fluctuations in foreign currency exchange rate risk.  The following table presents the Company's aggregate fixed rate and variable rate domestic and foreign debt obligations outstanding as of September 30, 2014, with corresponding weighted-average interest rates sorted by maturity date.  The table does not include extension options where available. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency.  The instruments' actual cash flows are denominated in U.S. dollars, Canadian dollars (CAD) and Chilean pesos (CLP) as indicated by geographic description (amounts are USD equivalent in millions).

| | **2014** | **2015** | **2016** | **2017** | **2018** | **Thereafter** | **Total** | **Fair** |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | Value |
|---|---|---|---|---|---|---|---|---|
| **U.S. Dollar Denominated** | | | | | | | | |
| Secured Debt | | | | | | | | |
| Fixed Rate | $6.5 | $145.6 | $299.0 | $472.0 | $36.0 | $ 303.6 | $1,262.7 | $1,313.3 |
| Average Interest Rate | 5.59% | 5.19 % | 6.46 % | 5.86 % | 4.79 % | 5.25 % | 5.75 % | |
| Variable Rate | $- | $6.0 | $- | $1.9 | $36.3 | $ - | $44.2 | $43.8 |
| Average Interest Rate | - | 0.12 % | - | 4.00 % | 2.51 % | - | 2.25 % | |
| Unsecured Debt | | | | | | | | |
| Fixed Rate | $- | $350.0 | $300.0 | $290.9 | $300.0 | $ 1,150.0 | $2,390.9 | $2,549.4 |
| Average Interest Rate | - | 5.29 % | 5.78 % | 5.70 % | 4.30 % | 4.14 % | 4.72 % | |
| Variable Rate | $- | $400.0 | $- | $- | $250.0 | $ - | $650.0 | $629.1 |
| Average Interest Rate | - | 1.20 % | - | - | 1.08 % | - | 1.16 % | |
| **Canadian Dollar Denominated** | | | | | | | | |
| Unsecured Debt | | | | | | | | |
| Fixed Rate | $- | $- | $- | $- | $133.9 | $ 178.7 | $312.6 | $335.2 |
| Average Interest Rate | - | - | - | - | 5.99 % | 3.86 % | 4.77 % | |
| **Chilean Pesos Denominated** | | | | | | | | |
| Secured Debt | | | | | | | | |
| Variable Rate | $- | $- | $- | $- | $- | $ 37.0 | $37.0 | $42.0 |
| Average Interest Rate | - | - | - | - | - | 5.68 % | 5.68 % | |

Based on the Company's variable-rate debt balances, interest expense would have increased by $5.5 million for the nine months ended September 30, 2014, if short-term interest rates were 1% higher.

The following table presents the Company's foreign investments and respective cumulated translation adjustments ("CTA") as of September 30, 2014. Investment amounts are shown in their respective local currencies and the U.S. dollar equivalents, CTA balances are shown in U.S. dollars:

**Foreign Investment (in millions)**

| **Country** | **Local Currency** | **US Dollars** | **CTA Gain/(Loss)** |
|---|---|---|---|
| Mexican real estate investments (MXN) | 2,590.5 | $ 192.8 | $ (113.4 ) |
| Canadian real estate joint venture investments (CAD) | 423.5 | $ 378.2 | $ 18.4 |
| Chilean real estate investments (CLP) | 33,074.7 | $ 55.0 | $ (13.5 ) |
| Peruvian real estate investments (Peruvian Nuevo Sol) | 14.2 | $ 4.9 | $ (0.1 ) |

The foreign currency exchange risk has been partially mitigated, but not eliminated, through the use of local currency denominated debt. The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes.

CTAs result from currency fluctuations between local currency and the U.S. dollar during the period in which the Company held its investment and are recorded as a component of Accumulated Other Comprehensive Income ("AOCI") on the Company's Condensed Consolidated Balance Sheets. The CTA amounts are subject to future changes resulting from ongoing fluctuations in the respective foreign currency exchange rates. Changes in exchange rates are impacted by many factors that cannot be forecasted with reliable accuracy. Any change could have a favorable or unfavorable impact on the Company's CTA balance. Based on the Company's foreign investment balances at September 30, 2014, a favorable overall exchange rate fluctuation of 10% would decrease the aggregate CTA net loss balance by approximately $70.1 million, whereas, an unfavorable overall exchange rate fluctuation of 10% would increase the aggregate CTA net loss balance by approximately $57.4 million.

Under U.S. GAAP, the Company is required to release CTA balances into earnings when the Company has substantially liquidated its investment in a foreign entity. During 2013, the Company began selling properties within its Latin American portfolio and the Company anticipates it will, in the near term, substantially liquidate all of its investments in this portfolio which will require the then unrealized loss on foreign currency translation to be recognized as a charge against earnings. At September 30, 2014, the aggregate CTA net loss balance relating to the Company's Latin American portfolio is $127.0 million. Based on the Company's foreign investment balances in Latin

America at September 30, 2014, a favorable overall exchange rate fluctuation of 10% would decrease the aggregate CTA net loss balance by approximately $28.1 million, whereas, an unfavorable overall exchange rate fluctuation of 10% would increase the aggregate CTA net loss balance by approximately $23.0 million.

## Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II

## OTHER INFORMATION

### Item 1. Legal Proceedings

The following information supplements and amends our discussion set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

On January 28, 2013, the Company received a subpoena from the Enforcement Division of the SEC in connection with an investigation, In the Matter of Wal-Mart Stores, Inc. (FW-3678), that the SEC Staff is currently conducting with respect to possible violations of the Foreign Corrupt Practices Act. The Company is responding to the subpoena and intends to cooperate fully with the SEC in this matter. The U.S. Department of Justice ("DOJ") is conducting a parallel investigation, and the Company is cooperating with the DOJ investigation. At this point, we are unable to predict the duration, scope or result of the SEC or DOJ investigation.

The Company is not presently involved in any litigation, nor to its knowledge is any litigation threatened against the Company or its subsidiaries, that in management's opinion, would result in any material adverse effect on the Company's ownership, management or operation of its properties taken as a whole, or which is not covered by the Company's liability insurance.

### Item 1A. Risk Factors

There are no material changes from risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

### Item 6. Exhibits

Exhibits –

4.1 Agreement to File Instruments

Kimco Realty Corporation (the "Registrant") hereby agrees to file with the Securities and Exchange Commission, upon request of the Commission, all instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries, and for any of its unconsolidated subsidiaries for which financial statements are required to be filed, and for which the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis.

| | |
|---|---|
| 12.1 | Computation of Ratio of Earnings to Fixed Charges |
| 12.2 | Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends |
| 31.1 | Certification of the Company's Chief Executive Officer, David B. Henry, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Company's Chief Financial Officer, Glenn G. Cohen, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Company's Chief Executive Officer, David B. Henry, and the Company's Chief Financial Officer, Glenn G. Cohen, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIMCO REALTY CORPORATION

| | |
|---|---|
| November 3, 2014 | /s/ David B. Henry |
| (Date) | David B. Henry |
| | Chief Executive Officer |
| November 3, 2014 | /s/ Glenn G. Cohen |
| (Date) | Glenn G. Cohen |
| | Chief Financial Officer |