

CBL & ASSOCIATES PROPERTIES INC
Form 8-K
February 16, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): February 12, 2018

CBL & ASSOCIATES PROPERTIES, INC.

CBL & ASSOCIATES LIMITED PARTNERSHIP

(Exact Name of Registrant as Specified in its Charter)

Delaware	1-12494	62-1545718
Delaware	333-182515-01	62-1542285
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421
(Address of principal executive office, including zip code)

423.855.0001
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ..Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ..Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ..Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ..Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) Effective February 12, 2018, the Compensation Committee of the Board of Directors of CBL & Associates Properties, Inc. (herein the “Company” or “CBL”) approved (A) the 2018 Annual Incentive Compensation Plan (the “2018 AIP”) that will be applicable to those individuals who currently qualify as “named executive officers” of the Company pursuant to Item 402(a)(3) of Securities and Exchange Commission (“SEC”) Regulation S-K, to determine their annual bonus compensation for performance during the Company’s fiscal year 2018 and (B) the terms of this year’s awards pursuant to the Long Term Incentive Program for such named executive officers under the Company’s 2012 Stock Incentive Plan, which includes certain changes to the terms of that program as implemented during the past three years, as described below.

2018 Annual Incentive Compensation Plan

The 2018 AIP, similar to the Annual Incentive Plans previously adopted for the Company’s 2015, 2016 and 2017 fiscal years, is designed to reward the named executive officers for the achievement of two annual quantitative operational goals and qualitative individual performance objectives, as assessed by the Compensation Committee. For the Chief Executive Officer, 70% of the total AIP opportunity will be based on the quantitative portion and the remaining 30% will be based on individual performance objectives. For the other named executive officers, 60% of the total award will be based on the quantitative portion and the remaining 40% will be based on individual performance objectives.

The quantitative portion of the 2018 AIP awards will be allocated between two performance measures, each with a 50% weighting: (1) Funds From Operations (“FFO”), as adjusted per diluted share, as reported in the Company’s periodic reports (Forms 10-K and 10-Q) filed with the SEC (the “Periodic Reports”) and (2) Same-Center Net Operating Income (“NOI”) growth, as reported in the Periodic Reports. The remaining portion of the AIP will be based on specific individual performance goals under the qualitative portion.

The target cash bonus award levels set by the Compensation Committee under the 2018 AIP for each of the Company’s named executives officers are as follows:

Named Executive Officer	Total		
	2018 Target Cash Bonus Award	Quantitative Allocation	Qualitative/ Individual Allocation
Stephen D. Lebovitz, President and Chief Executive Officer	\$1,015,875	70%	30%
Charles B. Lebovitz, Chairman of the Board	\$846,563	60%	40%
Farzana Khaleel, Executive Vice President - Chief Financial Officer and Treasurer	\$338,625	60%	40%
Augustus N. Stephas, Executive Vice President - Chief Operating Officer	\$395,063	60%	40%
Michael I. Lebovitz, Executive Vice President - Development and Administration	\$338,625	60%	40%

Achievement of target performance for a performance measure will result in 100% payout of the quantitative portion of the award based on that performance measure. Performance that meets threshold requirements will result in 50% (of target) payout of the quantitative portion of the award based on that performance measure and achievement of the maximum performance for a performance measure will result in 150% (of target) payout. Performance achieved between threshold and maximum level for either metric will result in a prorated bonus payout. There will be no payout for the portion of any award that is based on a performance measure for which less than the threshold level of performance is achieved. The Compensation Committee has the ability to adjust each metric, if appropriate, to account for significant unbudgeted transactions or events.

The individual performance goals established by the Compensation Committee for each named executive officer under the qualitative portion of the 2018 AIP are outlined below:

Named Executive Officer	2018 Individual Performance Objectives
Stephen D. Lebovitz	<ul style="list-style-type: none"> (1) refining, enhancing and executing the Company's strategic and business plans (2) effective communications and interactions with the investment community (3) regular communication and interaction with the Board (4) maintain and enhance key retailer, financial and other relationships (5) effective corporate and executive team communication, motivation and management
Charles B. Lebovitz	<ul style="list-style-type: none"> (1) effective Board management (2) maintain and enhance key retailer and other relationships (3) broad involvement and stewardship of the Company's strategic objectives and business performance (4) support the CEO in implementing organizational changes (5) support the CEO in developing and executing the Company's strategic and business plans
Farzana Khaleel	<ul style="list-style-type: none"> (1) successful execution of the Company's balance sheet strategy including maintaining/improving key credit metrics and effective interactions with rating agencies, banks and other financial entities (2) effective management and oversight of the financial services and accounting divisions (3) maintain and improve key financial and joint venture partner relationships (4) improve interactions with the investment community through earnings calls, presentations and investor conferences/meetings (5) general involvement in improving the Company's overall financial performance, i.e., NOI and FFO (6) support the CEO in implementing organizational changes as well as developing and executing the Company's strategic and business plans

Named Executive Officer	2018 Individual Performance Objectives
Augustus N. Stephas	(1) improvement in overall portfolio operations including oversight of leasing and management (2) successful preparation of Board materials (including pursuing opportunities for improvement) (3) expense containment and oversight of general and administrative costs (4) support and assist CEO in implementing organizational changes (5) support the CEO in developing and executing the Company's strategic and business plans
Michael I. Lebovitz	(1) supervision of new development and redevelopment projects (with particular focus on department store redevelopments) to achieve approved pro forma returns and scheduled openings (2) manage and enhance joint venture partner relationships and greater involvement with financial institutions and the investment community (3) effective oversight of the implementation of technology and organizational initiatives including supporting the CEO in implementing organizational changes (4) effective management and team building for the Development, Human Resources and Information Technology divisions of the Company and closer working relationships with other areas of the Company (5) support the CEO in developing and executing the Company's strategic and business plans

The additional terms of the 2018 AIP are substantially identical to those of the 2017 Annual Incentive Plan for the Company's named executive officers, as described in the proxy statement for the Company's 2017 Annual Meeting of Stockholders previously filed with the SEC. The 2018 AIP is an unfunded arrangement and any compensation payable thereunder may be evaluated, modified or revoked at any time in the sole discretion of the Compensation Committee, which is responsible for administering the plan.

The foregoing summary description of the 2018 AIP is not complete, and is qualified in its entirety by reference to the full text of the 2018 AIP, which is filed as an exhibit to this report.

2018 Long Term Incentive Program

Beginning with the Company's 2015 fiscal year, the Compensation Committee replaced purely time-vested restricted stock awards with a Long Term Incentive Program for the named executive officers under the Company's 2012 Stock Incentive Plan. As updated by the Compensation Committee in connection with this year's grants to ensure the Long Term Incentive Program will maintain the desired linkage between economic incentives for the named executive officers and the creation of stockholder value, while also maintaining compliance with annual equity grant limits under the 2012 Stock Incentive Plan, such program consists of the following two components:

"Performance Stock Unit Awards" - 60% of the value of each named executive officer's annual Long Term Incentive Award (65% for the CEO) consists of a performance stock unit ("PSU") award authorized by the Compensation Committee under the Company's 2012 Stock Incentive Plan. The number of shares of the Company's Common Stock that each named executive officer may receive upon the conclusion of the three-year performance period applicable to each such award will be determined by two measures: (i) a portion (66.67%) of the number of shares issued will be determined based on the Company's achievement of specified levels of long-term relative Total Stockholder Return ("TSR") performance versus the NAREIT Retail Index, provided that at least a "Threshold" level must be attained for any shares to be received, and (ii) a portion (33.33%) of such number of shares issued will be determined based on the Company's absolute TSR performance over such period, provided again that at least a "Threshold" level must be attained for any shares to be received, as described below.

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“Annual Restricted Stock Awards” - 40% of the value of each named executive officer’s Long Term Incentive Awards (35% for the CEO) will consist of a grant of shares of time-vesting restricted stock, awarded based on the Compensation Committee’s subjective evaluation of the performance of the Company and the officer

during the preceding fiscal year, having the terms reflected in the Revised Form of Named Executive Officer Stock Restriction Agreement filed as an exhibit to this report, including vesting in five annual installments (20% at the date the shares are awarded and an additional 20% on each of the four subsequent anniversaries of such date).

Performance that meets threshold requirements for the portion of the PSU award based on TSR performance relative to the NAREIT Retail Index over the three-year period will result in shares being issued in an amount at least equal to 0.5 times the 66.67% of the PSUs allocated to that portion of the award, while achievement of target performance will result in shares being issued at least equal to 1.0 times the 66.67% of the PSUs so allocated and achievement of maximum performance will result in shares being issued in an amount of up to 2.0 times the 66.67% of the PSUs so allocated, subject in each case to scaled pro-ration for performance that falls between the threshold and maximum levels designated by the Compensation Committee.

Performance that meets threshold requirements for the portion of the PSU award based on the Company's absolute level of TSR performance over the three-year period will result in shares being issued in an amount at least equal to 0.5 times the 33.33% of the PSUs allocated to that portion of the award, while achievement of target performance will result in shares being issued at least equal to 1.0 times the 33.33% of the PSUs so allocated, achievement of high performance will result in shares being issued at least equal to 1.5 times the 33.33% of the PSUs so allocated and achievement of maximum performance will result in shares being issued in an amount of up to 2.0 times the 33.33% of the PSUs so allocated, subject again in each case to scaled pro-ration for performance that falls between the threshold and maximum levels designated by the Compensation Committee.

There will be no payout for the portion of the PSU award based on either such criteria where less than the threshold level of performance is achieved. Further, shares earned pursuant to the PSUs for either specified performance criteria will vest 60% at the conclusion of the three-year performance period, while the remaining 40% of such shares vesting 20% on each of the first two anniversaries thereafter. Additionally, to maintain the intended incentive compensation value of the PSU awards while also maintaining compliance with the 200,000 share annual equity grant limit under the 2012 Stock Incentive Plan, the Compensation Committee approved a Revised Form of Performance Stock Unit Award Agreement to be used for PSU awards beginning in 2018, filed as an exhibit to this report. The revised agreement provides that, to the extent a grant of PSUs to a named executive officer could result in the issuance of a number of shares of Common Stock at the conclusion of the three-year performance period that, when coupled with the number of shares of time-vesting restricted stock approved for issuance in the same year the PSUs were granted, would exceed such limit, any such excess shares shall not be issued, but an amount of cash equivalent to the number of shares of Common Stock constituting such excess times the average of the high and low trading prices reported for the Company's Common Stock on the New York Stock Exchange on the date such shares would have otherwise been issuable will be payable to the named executive officer in cash but subject to the same vesting provisions as the issuance of Common Stock per the Performance Stock Units. In addition, to the extent any such cash is to be paid, the cash will be paid first relative to the vesting schedule, ahead of the issuance of the balance of any such payout in shares of Common Stock.

For purposes of the 2018 awards under the Long Term Incentive Program, the Compensation Committee approved the following target values and a related grant of PSUs to each of the Company's named executive officers covering the 2018 - 2020 performance period, as follows:

Named Executive Officer	Target Value of Long Term Incentive Award	Target Value of Performance Based Award	Number of Performance Stock Units Issued (1)	Target Value of Time-Vested Award	Number of Shares Issued for Time-Vested Award
Stephen D. Lebovitz, President and Chief Executive Officer	\$2,031,750	\$1,320,638	307,841	\$711,113	(2)
Charles B. Lebovitz, Chairman of the Board	\$1,410,938	\$846,563	197,334	\$564,375	(2)
Farzana Khaleel, Executive Vice President - Chief Financial Officer and Treasurer	\$564,375	\$338,625	78,934	\$225,750	(2)
Augustus N. Stephas, Executive Vice President - Chief Operating Officer	\$564,375	\$338,625	78,934	\$225,750	(2)
Michael I. Lebovitz, Executive Vice President - Development and Administration	\$564,375	\$338,625	78,934	\$225,750	(2)

(1) The number of Performance Stock Units granted for the initial 2018 - 2020 performance period in relation to the target value of the performance based award was determined by dividing such value by \$4.29, the average of the high and low prices reported for the Company's Common Stock on the New York Stock Exchange ("NYSE") on the initial date of grant. As noted above, the ultimate number of shares issued upon the maturity of these PSUs at the conclusion of the performance period (and the amount of cash, if any, paid in lieu of the issuance of a portion of the shares earned at the conclusion of the performance period) is subject to a new provision included in the Revised Form of Performance Stock Unit Award Agreement adopted this year to ensure compliance with the annual equity grant limit under the Company's 2012 Stock Incentive Plan.

(2) The number of shares of Common Stock issued in relation to each time-vested stock award will be determined by dividing the amount of the targeted value of each such award that the Compensation Committee ultimately determines that each named Executive officer has earned, based on the Compensation Committee's subjective evaluation of the Company's performance during 2018, by the average of the high and low prices reported for the Company's Common Stock on the NYSE on the date in early 2019 that the Compensation Committee makes such determination.

Apart from the changes described herein for new awards under the 2018 Long Term Incentive Plan, the additional terms of the 2018 long term incentive awards to the Company's named executive officers are substantially identical to those of the 2017 Long Term Incentive Plan for such officers, as described in the proxy statement for the Company's 2017 Annual Meeting of Stockholders previously filed with the SEC. The description herein of such awards is qualified in its entirety by reference to the full text of the Company's 2012 Stock Incentive Plan, as amended, and the respective Revised Form of Performance Stock Unit Award Agreement and Revised Form of Named Executive Officer Stock Restriction Agreement under such plan, each of which is filed or incorporated by reference as an exhibit to this report.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
<u>10.2.1</u>	<u>CBL & Associates Properties, Inc. 2012 Stock Incentive Plan. Incorporated by reference from the Company's Current Report on Form 8-K, filed on May 10, 2012.*</u>
<u>10.2.2</u>	<u>Amendment No. 1 to CBL & Associates Properties, Inc. 2012 Stock Incentive Plan. Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.**</u>
<u>10.2.3</u>	<u>Amendment No. 2 to CBL & Associates Properties, Inc. 2012 Stock Incentive Plan. Incorporated by reference from the Current Report on Form 8-K, filed on May 12, 2017.*</u>
<u>10.2.4</u>	<u>Revised Form of Performance Stock Unit Award Agreement under CBL & Associates Properties, Inc. 2012 Stock Incentive Plan. Filed herewith.</u>
<u>10.2.5</u>	<u>Revised Form of Named Executive Officer Stock Restriction Agreement under CBL & Associates Properties, Inc. 2012 Stock Incentive Plan. Filed herewith.</u>
<u>10.2.6</u>	<u>CBL & Associates Properties, Inc. Named Executive Officer Annual Incentive Compensation Plan (AIP) (Fiscal Year 2018). Filed herewith.</u>

* SEC File No. 1-12494

** SEC File No. 1-12494 and 333-182515-01

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 hereunto duly authorized.

CBL &
ASSOCIATES
PROPERTIES,
INC.

/s/ Andrew F.
Cobb
Andrew F. Cobb
Senior Vice
President -
Director of
Accounting

CBL &
ASSOCIATES
LIMITED
PARTNERSHIP

By: CBL
HOLDINGS I,
INC., its general
partner

/s/ Andrew F.
Cobb
Andrew F. Cobb
Senior Vice
President -
Director of
Accounting

Date: February 16, 2018