WILLIAMSON BRUCE A
Form 4
January 02, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
WILLIAMSON BRUCE A

(Last) (First) (Middle)

180 E 100 S

(Street)

SALT LAKE CITY, UT 84111

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
QUESTAR CORP [STR]

3. Date of Earliest Transaction (Month/Day/Year)
12/31/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								6,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Phantom Stock Units	$ 32.69	12/31/2008		A		591.1594		(1)	(1)	Phantom Stock Units	591.1594
Phantom Stock Units	$ 0							(1)	(1)	Phantom Stock Units	4,628.618

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WILLIAMSON BRUCE A 180 E 100 S SALT LAKE CITY, UT 84111	X			

Signatures

Abigail L. Jones Attorney in Fact for B. A. Williamson — 01/02/2009

**Signature of Reporting Person — Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This date is unknown until I retire as a director.

(2) I defer my director's fees, and such fees are accounted for in phantom stock units that are credited with dividends.

(3) I have been granted restricted phantom stock units under Questar's Long-term Stock Incentive Plan. Such units are credited with dividends.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ">
14,862

Distributions in excess of partnership investments
64,491

64,874

Fair value of derivative instruments
844

9,742

Liabilities on assets held for sale
—

102,417

Accrued expenses and other liabilities
76,248

72,448

Total liabilities
1,792,129

2,164,395

COMMITMENTS AND CONTINGENCIES (Note 11)

EQUITY:

Series A Preferred Shares, $.01 par value per share; 25,000 shares authorized; 4,600 shares issued and outstanding at December 31, 2013 and 2012; liquidation preference of $115,000
46

46

Series B Preferred Shares, $.01 par value per share; 25,000 shares authorized; 3,450 shares issued and outstanding at December 31, 2013, and 2012; liquidation preference of $86,250
35

35

Shares of beneficial interest, $1.00 par value per share; 200,000 shares authorized; issued and outstanding 68,293 shares at December 31, 2013 and 56,331 shares at December 31, 2012
68,293

56,331

Capital contributed in excess of par
1,467,460

1,247,730

Accumulated other comprehensive loss
(6,637
)

(20,867
)
Distributions in excess of net income
(636,939
)

(608,634
)
Total equity – Pennsylvania Real Estate Investment Trust
892,258

674,641

Noncontrolling interest
34,194

38,588

Total equity
926,452

713,229

Total liabilities and equity
$
2,718,581

$
2,877,624

See accompanying notes to consolidated financial statements.
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Explanation of Responses:

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
REVENUE:			
Real estate revenue:			
Base rent	$283,074	$272,036	$266,880
Expense reimbursements	126,909	119,993	124,103
Percentage rent	5,732	5,713	6,363
Lease termination revenue	1,565	1,753	1,091
Other real estate revenue	14,448	14,318	13,989
Total real estate revenue	431,728	413,813	412,426
Other income	6,950	5,534	6,712
Total revenue	438,678	419,347	419,138
EXPENSES:			
Operating expenses:			
CAM and real estate taxes	(142,684)	(132,901)	(131,740)
Utilities	(22,028)	(21,838)	(23,818)
Other	(17,567)	(18,391)	(20,281)
Total operating expenses	(182,279)	(173,130)	(175,839)
Depreciation and amortization	(140,880)	(127,845)	(128,028)
Other expenses:			
General and administrative expenses	(36,975)	(37,538)	(38,901)
Provision for employee separation expense	(2,314)	(9,437)	—
Impairment of assets	(6,304)	—	(24,359)
Project costs and other expenses	(1,422)	(1,936)	(964)
Total other expenses	(47,015)	(48,911)	(64,224)
Interest expense, net	(98,731)	(122,118)	(127,148)
Total expenses	(468,905)	(472,004)	(495,239)
Loss before equity in income of partnerships, gains on sales of real estate and discontinued operations	(30,227)	(52,657)	(76,101)
Equity in income of partnerships	9,778	8,338	6,635
Gains on sales of real estate	—	—	1,590
Loss from continuing operations	(20,449)	(44,319)	(67,876)
Discontinued operations:			
Operating results from discontinued operations	2,812	4,627	1,918
Impairment of assets of discontinued operations	(23,662)	(3,805)	(27,977)
Gains on sales of discontinued operations	78,512	947	—
Income (loss) from discontinued operations	57,662	1,769	(26,059)
Net income (loss)	37,213	(42,550)	(93,935)
Less: net (income) loss attributed to noncontrolling interest	(1,354)	1,713	3,774
Net income (loss) attributable to PREIT	35,859	(40,837)	(90,161)
Less: preferred share dividends	(15,848)	(7,984)	—
Net income (loss) attributable to PREIT common shareholders	$20,011	$(48,821)	$(90,161)

See accompanying notes to consolidated financial statements.
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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
EARNINGS PER SHARE

	For The Year Ended December 31,		
(in thousands of dollars, except per share amounts)	2013	2012	2011
Loss from continuing operations	$(20,449)	$(44,319)	$(67,876)
Preferred dividends	(15,848)	(7,984)	—
Noncontrolling interest in continuing operations	729	1,778	2,727
Dividends on restricted shares	(439)	(442)	(547)
Loss from continuing operations used to calculate earnings per share – basic and diluted	$(36,007)	$(50,967)	$(65,696)
Income (loss) from discontinued operations	$57,662	$1,769	$(26,059)
Noncontrolling interest in discontinued operations	(2,083)	(65)	1,047
Income (loss) from discontinued operations used to calculate earnings per share – basic and diluted	$55,579	$1,704	$(25,012)
Basic and diluted earnings (loss) per share:			
Loss from continuing operations	$(0.56)	$(0.92)	$(1.20)
Income (loss) from discontinued operations	0.87	0.03	(0.46)
Basic and diluted earnings (loss) per share	$0.31	$(0.89)	$(1.66)
(in thousands of shares)			
Weighted average shares outstanding – basic	63,662	55,122	54,639
Effect of dilutive common share equivalents[1]	—	—	—
Weighted average shares outstanding – diluted	63,662	55,122	54,639

(1) For the years ended December 31, 2013, 2012 and 2011, there are net losses allocable to common shareholders from continuing operations, so the effect of common share equivalents of 876, 1,131 and 502 for the years ended December 31, 2013, 2012 and 2011, respectively, is excluded from the calculation of diluted earnings (loss) per share, as their inclusion would be anti-dilutive.

See accompanying notes to consolidated financial statements.
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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For The Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
Comprehensive income (loss):			
Net income (loss)	$37,213	$(42,550)	$(93,935)
Unrealized gain on derivatives	9,647	11,370	6,118
Amortization of losses of settled swaps, net of gains	5,069	2,419	24
Total comprehensive income (loss)	51,929	(28,761)	(87,793)
Less: Comprehensive (income) loss attributable to noncontrolling interest	(1,840)	1,156	3,526
Comprehensive income (loss) attributable to PREIT	$50,089	$(27,605)	$(84,267)

See accompanying notes to consolidated financial statements.
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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF EQUITY
For the Years Ended
December 31, 2013, 2012 and 2011

		PREIT Shareholders						
(in thousands of dollars, except per share amounts)	Total Equity	Series A Preferred Shares, $.01 par	Series B Preferred Shares, $.01 par	Shares of Beneficial Interest, $1.00 par	Capital Contributed in Excess of par	Accumulated Other Comprehensive (Income) Loss	Distributions in Excess of Net Income	Non-controlling interest
Balance January 1, 2011	$704,530	—	—	$55,436	$1,040,023	$ (39,993)	$ (401,193)	$50,257
Net loss	(93,935)	—	—	—	—	—	(90,161)	(3,774)
Comprehensive loss	6,142	—	—	—	—	5,894	—	248
Shares issued under employee and trustee compensation plans, net of shares retired	(1,350)	—	—	241	(1,591)	—	—	—
Amortization of deferred compensation	9,055	—	—	—	9,055	—	—	—
Distributions paid to common shareholders ($0.60 per share)	(33,384)	—	—	—	—	—	(33,384)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders ($0.60 per unit)	(1,395)	—	—	—	—	—	—	(1,395)
Amortization of historic tax credit	(1,921)	—	—	—	—	—	—	(1,921)
Contributions from noncontrolling interest, net	296	—	—	—	—	—	—	296
Balance December 31, 2011	588,038	—	—	55,677	1,047,487	(34,099)	(524,738)	43,711
Net loss	(42,550)	—	—	—	—	—	(40,837)	(1,713)
Comprehensive loss	13,789	—	—	—	—	13,232	—	557
	—	—	—	28	413	—	—	(441)

Shares issued under redemption of Operating Partnership units								
Shares issued under employee and trustee compensation plans, net of shares retired	(4,722)	—	—	626	(5,348)	—	—	—
Amortization of deferred compensation	11,028	—	—	—	11,028	—	—	—
Series A Preferred share offering	110,896	46	—	—	110,850	—	—	—
Series B Preferred share offering	83,335	—	35	—	83,300	—	—	—
Distributions paid to common shareholders ($0.63 per share)	(35,735)	—	—	—	—	—	(35,735)	—
Distributions paid to Series A preferred shareholders ($1.3464 per share)	(6,193)	—	—	—	—	—	(6,193)	—
Distributions paid to Series B preferred shareholders ($0.3278 per share)	(1,131)	—	—	—	—	—	(1,131)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders ($0.63 per unit)	(1,459)	—	—	—	—	—	—	(1,459)
Amortization of historic tax credit	(1,810)	—	—	—	—	—	—	(1,810)
Contributions from noncontrolling interest, net	(257)	—	—	—	—	—	—	(257)

Balance December 31, 2012	713,229	46	35	56,331	1,247,730	(20,867)	(608,634)	38,588
Net income	37,213	—	—	—	—	—	35,859	1,354
Comprehensive income	14,716	—	—	—	—	14,230	—	486
Shares issued in 2013 public common offering, net	220,511	—	—	11,500	209,011	—	—	—
Shares issued upon redemption of Operating Partnership units	—	—	—	172	2,372	—	—	(2,544)
Shares issued under employee and trustee compensation plans, net of shares retired	566	—	—	290	276	—	—	—
Amortization of deferred compensation	8,071	—	—	—	8,071	—	—	—
Distributions paid to common shareholders ($0.74 per share)	(48,315)	—	—	—	—	—	(48,315)	—
Distributions paid to Series A preferred shareholders ($2.0625 per share)	(9,488)	—	—	—	—	—	(9,488)	—
Distributions paid to Series B preferred shareholders ($1.8438 per share)	(6,361)	—	—	—	—	—	(6,361)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders ($0.74 per unit)	(1,626)	—	—	—	—	—	—	(1,626)
Amortization of historic tax credit	(1,810)	—	—	—	—	—	—	(1,810)
	(254)	—	—		—	—	—	(254)

Other distributions to noncontrolling interests, net								
Balance December 31, 2013	$926,452	$46	$35	$68,293	$1,467,460	$ (6,637)	$ (636,939)	$34,194

See accompanying notes to consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	$37,213	$(42,550)	$(93,935)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	133,162	128,204	128,378
Amortization	12,903	15,951	19,941
Straight-line rent adjustments	(1,425)	(2,234)	(331)
Provision for doubtful accounts	1,656	1,861	3,320
Amortization of deferred compensation	8,071	11,028	9,055
Loss on hedge ineffectiveness	3,409	—	—
Gain on sales of real estate and discontinued operations	(78,512)	(947)	(1,590)
Equity in income of partnerships in excess of distributions	(2,713)	—	—
Amortization of historic tax credits	(2,494)	(1,810)	(1,921)
Impairment of assets and expensed project costs	30,775	5,057	52,909
Change in assets and liabilities:			
Net change in other assets	(7,779)	(15,167)	(7,143)
Net change in other liabilities	1,953	20,931	(3,421)
Net cash provided by operating activities	136,219	120,324	105,262
Cash flows from investing activities:			
Cash proceeds from sales of real estate investments	181,644	—	7,551
Investments in consolidated real estate acquisitions	(60,879)	—	—
Additions to construction in progress	(36,456)	(38,104)	(25,426)
Investments in real estate improvements	(44,785)	(43,543)	(36,017)
Additions to leasehold improvements	(2,062)	(881)	(364)
Investments in partnerships	(250)	(3,682)	(252)
Capitalized leasing costs	(5,261)	(5,336)	(4,999)
(Increase) decrease in cash escrows	(2,682)	(1,404)	2,210
Cash distributions from partnerships in excess of equity in income	1,472	4,772	35,525
Net cash provided by (used in) investing activities	30,741	(88,178)	(21,772)
Cash flows from financing activities:			
Repayment of 2010 Term Loan	(182,000)	(58,000)	(7,200)
Net borrowings from (repayments of) Revolving Facilities	130,000	(95,000)	(5,000)
Proceeds from mortgage loans	154,692	467,750	27,700
Repayment of mortgage loans	(403,691)	(320,731)	(58,032)
Principal installments on mortgage loans	(16,973)	(20,311)	(21,249)
Payment of deferred financing costs	(4,035)	(1,753)	(4,109)
Net proceeds from shares issued in public common offering	220,511	—	—
Common shares issued	2,983	1,788	533
Net proceeds from issuance of Series A preferred shares	—	110,896	—
Net proceeds from issuance of Series B preferred shares	—	83,335	—
Repayment of Exchangeable Notes	—	(136,900)	—
Dividends paid to common shareholders	(48,315)	(35,735)	(33,384)
Dividends paid to preferred shareholders	(15,849)	(7,324)	—
	(1,626)	(1,459)	(1,395)

Distributions paid to Operating Partnership unit holders and noncontrolling interest			
Value of shares issued under equity incentive plans, net of shares retired	(2,417)	(6,510)	(1,883)
Net cash used in financing activities	(166,720)	(19,954)	(104,019)
Net change in cash and cash equivalents	240	12,192	(20,529)
Cash and cash equivalents, beginning of year	33,990	21,798	42,327
Cash and cash equivalents, end of year	$34,230	$33,990	$21,798

See accompanying notes to consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2013, 2012 and 2011
1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Nature of Operations
Pennsylvania Real Estate Investment Trust (“PREIT”), a Pennsylvania business trust founded in 1960 and one of the first equity real estate investment trusts (“REITs”) in the United States, has a primary investment focus on retail shopping malls located in the eastern half of the United States, primarily in the Mid-Atlantic region. As of December 31, 2013, our portfolio consisted of a total of 43 properties located in 12 states and operating in 11 states, including 35 shopping malls, five power and strip centers and three development properties, with two of the development properties classified as “mixed use” (a combination of retail and other uses), and one of the development properties classified as “other.” In 2013, we sold three of our mall properties and three of our power and strip centers.
We hold our interest in our portfolio of properties through our operating partnership, PREIT Associates, L.P. (“PREIT Associates” or the “Operating Partnership”). We are the sole general partner of the Operating Partnership and, as of December 31, 2013, held a 97.0% controlling interest in the Operating Partnership, and consolidated it for reporting purposes. The presentation of consolidated financial statements does not itself imply that the assets of any consolidated entity (including any special-purpose entity formed for a particular project) are available to pay the liabilities of any other consolidated entity, or that the liabilities of any consolidated entity (including any special-purpose entity formed for a particular project) are obligations of any other consolidated entity.
Pursuant to the terms of the partnership agreement of the Operating Partnership, each of the limited partners has the right to redeem such partner’s units of limited partnership interest in the Operating Partnership (“OP Units”) for cash or, at our election, we may acquire such OP Units in exchange for our common shares on a one-for-one basis, in some cases beginning one year following the respective issue date of the OP Units and in other cases immediately. If all of the outstanding OP Units held by limited partners had been redeemed for cash as of December 31, 2013, the total amount that would have been distributed would have been $40.4 million, which is calculated using our December 31, 2013 closing share price on the New York Stock Exchange of $18.98 multiplied by the number of outstanding OP Units held by limited partners, which was 2,129,202 as of December 31, 2013.
We provide management, leasing and real estate development services through two of our subsidiaries: PREIT Services, LLC (“PREIT Services”), which generally develops and manages properties that we consolidate for financial reporting purposes, and PREIT-RUBIN, Inc. (“PRI”), which generally develops and manages properties that we do not consolidate for financial reporting purposes, including properties owned by partnerships in which we own an interest and properties that are owned by third parties in which we do not have an interest. PREIT Services and PRI are consolidated. PRI is a taxable REIT subsidiary, as defined by federal tax laws, which means that it is able to offer an expanded menu of services to tenants without jeopardizing our continuing qualification as a REIT under federal tax law.
We evaluate operating results and allocate resources on a property-by-property basis, and do not distinguish or evaluate our consolidated operations on a geographic basis. Due to the nature of our operating properties, which involve retail shopping, we have concluded that our individual properties have similar economic characteristics and meet all other aggregation criteria. Accordingly, have aggregated our individual properties into one reportable segment. In addition, no single tenant accounts for 10% or more of our consolidated revenue, and none of our properties are located outside the United States.
Consolidation
We consolidate our accounts and the accounts of the Operating Partnership and other controlled subsidiaries, and we reflect the remaining interest in such entities as noncontrolling interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Partnership Investments
We account for our investments in partnerships that we do not control using the equity method of accounting. These investments, each of which represents a 40% to 50% noncontrolling ownership interest at December 31, 2013, are

recorded initially at our cost and subsequently adjusted for our share of net equity in income and cash contributions and distributions. We do not control any of these equity method investees for the following reasons:

- Except for two properties that we co-manage with our partner, the other entities are managed on a day-to-day basis by one of our other partners as the managing general partner in each of the respective partnerships. In the case of the co-managed properties, all decisions in the ordinary course of business are made jointly.
- The managing general partner is responsible for establishing the operating and capital decisions of the partnership, including budgets, in the ordinary course of business.
- All major decisions of each partnership, such as the sale, refinancing, expansion or rehabilitation of the property, require the approval of all partners.
- Voting rights and the sharing of profits and losses are in proportion to the ownership percentages of each partner.

Statements of Cash Flows

We consider all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash and cash equivalents totaled $34.2 million and $34.0 million, respectively, and included tenant security deposits of $3.8 million and $4.2 million, respectively. Cash paid for interest, including interest related to discontinued operations, was $94.1 million, $116.4 million and $124.1 million for the years ended December 31, 2013, 2012 and 2011, respectively, net of amounts capitalized of $0.9 million, $1.5 million and $2.1 million, respectively.

Significant Non-Cash Transactions

In December 2012, we sold our remaining interest in Northeast Tower Center in exchange for the cancellation of a $3.8 million note payable to the buyer. We recorded a gain of $0.9 million from this sale in 2012.

In connection with the June 2011 amendment to the 2010 Credit Facility, we reduced the amount outstanding under the 2010 Term Loan by $100.0 million and increased the amount outstanding under the 2010 Revolving Facility by $100.0 million.

Accrued construction costs increased by $2.4 million in the year ended December 31, 2013, and decreased by $0.3 million and $0.1 million in the years ended December 31, 2012 and 2011, respectively, representing non-cash changes in construction in progress.

Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates. We believe that our most significant and subjective accounting estimates and assumptions are those relating to asset impairment, fair value and accounts receivable reserves.

Our management makes complex or subjective assumptions and judgments in applying its critical accounting policies. In making these judgments and assumptions, our management considers, among other factors, events and changes in property, market and economic conditions, estimated future cash flows from property operations, and the risk of loss on specific accounts or amounts.

Revenue Recognition

We derive over 95% of our revenue from tenant rent and other tenant-related activities. Tenant rent includes base rent, percentage rent, expense reimbursements (such as reimbursements of costs of common area maintenance (“CAM”), real estate taxes and utilities), amortization of above-market and below-market lease intangibles (as described below under “Intangible Assets”) and straight-line rent. We record base rent on a straight-line basis, which means that the monthly base rent revenue according to the terms of our leases with our tenants is adjusted so that an average monthly rent is recorded for each tenant over the term of its lease. When tenants vacate prior to the end of their lease, we accelerate amortization of any related unamortized straight-line rent balances, and unamortized above-market and below-market intangible balances are amortized as a decrease or increase to real estate revenue, respectively. The straight-line rent adjustment increased revenue by $1.4 million, $2.2 million and $0.3 million in the years ended December 31, 2013, 2012 and 2011, respectively. The straight-line rent receivable balances included in tenant and other receivables on the accompanying balance sheet as of December 31, 2013 and 2012 were $26.5 million and $27.7 million, respectively.

Percentage rent represents rental revenue that the tenant pays based on a percentage of its sales, either as a percentage of its total sales or as a percentage of sales over a certain threshold. In the latter case, we do not record percentage rent until the sales threshold has been reached.

Revenue for rent received from tenants prior to their due dates is deferred until the period to which the rent applies.
In addition to base rent, certain lease agreements contain provisions that require tenants to reimburse a fixed or pro rata share of certain CAM costs, real estate taxes and utilities. Tenants generally make expense reimbursement payments monthly based on a budgeted amount determined at the beginning of the year. During the year, our income increases or decreases based on actual expense levels and changes in other factors that influence the reimbursement amounts, such as occupancy levels. As of December 31, 2013 and 2012, our accounts receivable included accrued income of $7.7 million and $4.0 million, respectively, because actual reimbursable expense amounts eligible to be billed to tenants under applicable contracts exceeded amounts actually billed.
Certain lease agreements contain cotenancy clauses that can change the amount of rent or the type of rent that tenants are required to pay, or, in some cases, can allow a tenant to terminate their lease, in the event that certain events take place, such as a decline in property occupancy levels below certain defined levels or the vacating of an anchor store. Cotenancy clauses do not generally have any retroactive effect when they are triggered. The effect of cotenancy clauses is applied on a prospective basis to recognize the new rent that is in effect.
Payments made to tenants as inducements to enter into a lease are treated as deferred costs that are amortized as a reduction of rental revenue over the term of the related lease.
Lease termination fee revenue is recognized in the period when a termination agreement is signed, collectibility is assured and we are no longer obligated to provide space to the tenant. In the event that a tenant is in bankruptcy when the termination agreement is signed, termination fee income is deferred and recognized when it is received.
We also generate revenue by providing management services to third parties, including property management, brokerage, leasing and development. Management fees generally are a percentage of managed property revenue or cash receipts. Leasing fees are earned upon the consummation of new leases. Development fees are earned over the time period of the development activity and are recognized on the percentage of completion method. These activities are collectively included in “Other income” in the consolidated statements of operations.
Fair Value
Fair value accounting applies to reported balances that are required or permitted to be measured at fair value under existing accounting authority.
Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, these accounting requirements establish 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).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access.
Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs might include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
Level 3 inputs are unobservable inputs for the asset or liability and are typically based on an entity’s own assumptions, as there is little, if any, related market activity.
In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. We utilize the fair value hierarchy in our accounting for derivatives (Level 2) and financial instruments (Level 2) and in our reviews for impairment of real estate assets (Level 3) and goodwill (Level 3).

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Financial Instruments

Carrying amounts reported on the balance sheet for cash and cash equivalents, tenant and other receivables, accrued expenses, other liabilities and the 2013 Revolving Facility approximate fair value due to the short-term nature of these instruments. The majority of our variable rate debt is subject to interest rate derivative instruments that have effectively fixed the interest rates on the underlying debt. The estimated fair value for fixed rate debt, which is calculated for disclosure purposes, is based on the borrowing rates available to us for fixed rate mortgage loans with similar terms and maturities.

Impairment of Assets

Real estate investments and related intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the property might not be recoverable, which is referred to as a “triggering event.” In connection with our review of our long-lived assets for impairment, we utilize qualitative and quantitative factors in order to estimate fair value. The significant qualitative factors that we use include age and condition of the property, market conditions in the property’s trade area, competition with other shopping centers within the property’s trade area and the creditworthiness and performance of the property’s tenants. The significant quantitative factors that we use include historical and forecasted financial and operating information relating to the property, such as net operating income, occupancy statistics, vacancy projections and tenants’ sales levels. Our fair value assumptions relating to real estate assets are within Level 3 of the fair value hierarchy.

If there is a triggering event in relation to a property to be held and used, we will estimate the aggregate future cash flows, less estimated capital expenditures, to be generated by the property, undiscounted and without interest charges. In addition, this estimate may consider a probability weighted cash flow estimation approach when alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or when a range of possible values is estimated.

The determination of undiscounted cash flows requires significant estimates by our management, including the expected course of action at the balance sheet date that would lead to such cash flows. Subsequent changes in estimated undiscounted cash flows arising from changes in the anticipated action to be taken with respect to the property could affect the determination of whether an impairment exists and whether the effects of such changes could materially affect our net income. If the estimated undiscounted cash flows are less than the carrying value of the property, the carrying value is written down to its fair value.

In determining the estimated undiscounted cash flows of the properties that are being analyzed for impairment of assets, we take the sum of the estimated undiscounted cash flows, generally assuming a holding period of 10 years, plus a terminal value calculated using the estimated net operating income in the eleventh year and terminal capitalization rates, which in 2012 and 2013 ranged from 6.25% to 12.0%. In 2013, two properties had triggering events that required further review for impairment. The fair values of the properties (Chambersburg Mall and North Hanover Mall) were determined based on negotiated sale prices of the properties as discussed further in note 2. In 2012, one property had a triggering event that required further review for impairment. The fair value of the property (Phillipsburg Mall) was determined based on the sale price of the property as further discussed in note 2. In 2011, after two properties had triggering events that required further review for impairment, we estimated the fair value of the properties that experienced triggering events using discount rates applied to estimated cash flows ranging from 13% to 14%.

Assessment of our ability to recover certain lease related costs must be made when we have a reason to believe that a tenant might not be able to perform under the terms of the lease as originally expected. This requires us to make estimates as to the recoverability of such costs.

An other than temporary impairment of an investment in an unconsolidated joint venture is recognized when the carrying value of the investment is not considered recoverable based on evaluation of the severity and duration of the decline in value. To the extent impairment has occurred, the excess carrying value of the asset over its estimated fair value is recorded as a reduction to income.

We conduct an annual review of our goodwill balances for impairment to determine whether an adjustment to the carrying value of goodwill is required. We have determined the fair value of our properties and the amount of

goodwill that is associated with certain of our properties, and we have concluded that goodwill was not impaired as of December 31, 2013. Fair value is determined by applying a capitalization rate to our estimate of projected income at those properties. We also consider factors such as property sales performance, market position and current and future operating results. This amount is compared to the aggregate of the property basis and the goodwill that has been assigned to that property. If the fair value is less than the property basis and the goodwill, we evaluate whether impairment has occurred.

Real Estate

Land, buildings, fixtures and tenant improvements are recorded at cost and stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to operations as incurred. Renovations or replacements, which improve or extend the life of an asset, are capitalized and depreciated over their estimated useful lives. For financial reporting purposes, properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	20-40 years
Land improvements	15 years
Furniture/fixtures	3-10 years
Tenant improvements	Lease term

We are required to make subjective assessments as to the useful lives of our real estate assets for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those assets based on various factors, including industry standards, historical experience and the condition of the asset at the time of acquisition. These assessments affect our annual net income. If we were to determine that a different estimated useful life was appropriate for a particular asset, it would be depreciated over the newly estimated useful life, and, other things being equal, result in changes in annual depreciation expense and annual net income.

Gains from sales of real estate properties and interests in partnerships generally are recognized using the full accrual method, provided that various criteria are met relating to the terms of sale and any subsequent involvement by us with the properties sold.

Real Estate Acquisitions

We account for our property acquisitions by allocating the purchase price of a property to the property’s assets based on management’s estimates of their fair value. Debt assumed in connection with property acquisitions is recorded at fair value at the acquisition date, and the resulting premium or discount is amortized through interest expense over the remaining term of the debt, resulting in a non-cash decrease (in the case of a premium) or increase (in the case of a discount) in interest expense. The determination of the fair value of intangible assets requires significant estimates by management and considers many factors, including our expectations about the underlying property, the general market conditions in which the property operates and conditions in the economy. The judgment and subjectivity inherent in such assumptions can have a significant effect on the magnitude of the intangible assets or the changes to such assets that we record.

Intangible Assets

Our intangible assets on the accompanying consolidated balance sheets as of December 31, 2013 and 2012 included $5.7 million and $7.2 million, respectively (in each case, net of $1.1 million of amortization expense recognized prior to January 1, 2002), of goodwill recognized in connection with the acquisition of The Rubin Organization in 1997. Changes in the carrying amount of goodwill for the three years ended December 31, 2013 were as follows:

(in thousands of dollars)	Basis	Accumulated Amortization	Impairment Write-Offs	Divestitures	Total
Balance, January 1, 2011	$12,877	$(1,073)	$(4,648)	$—	$7,156
Changes in Goodwill	—	—	—	—	—
Balance, December 31, 2011	12,877	(1,073)	(4,648)	—	7,156
Changes in Goodwill	—	—	—	—	—
Balance, December 31, 2012	12,877	(1,073)	(4,648)	—	7,156
Changes in Goodwill	—	—	—	(1,494)	(1,494)
Balance, December 31, 2013	$12,877	$(1,073)	$(4,648)	$(1,494)	$5,662

In 2013, we divested goodwill of $0.7 million and $0.8 million in connection with the sales of Paxton Towne Centre and Christiana Center, respectively (see note 2).

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We allocate a portion of the purchase price of a property to intangible assets. Our methodology for this allocation includes estimating an “as-if vacant” fair value of the physical property, which is allocated to land, building and improvements. The difference between the purchase price and the “as-if vacant” fair value is allocated to intangible assets. There are three categories of intangible assets to be considered: (i) value of in-place leases, (ii) above- and below-market value of in-place leases and (iii) customer relationship value.
The value of in-place leases is estimated based on the value associated with the costs avoided in originating leases comparable to the acquired in-place leases, as well as the value associated with lost rental revenue during the assumed lease-up period. The value of in-place leases is amortized as real estate amortization over the remaining lease term.
Above-market and below-market in-place lease values for acquired properties are recorded based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimates of fair market lease rates for comparable in-place leases, based on factors such as historical experience, recently executed transactions and specific property issues, measured over a period equal to the remaining non-cancelable term of the lease. Above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases. Below-market lease values are amortized as an increase to rental income over the remaining terms of the respective leases, including any below-market optional renewal periods, and are included in “Accrued expenses and other liabilities” in the consolidated balance sheets.
We allocate purchase price to customer relationship intangibles based on management’s assessment of the value of such relationships.
The following table presents our intangible assets and liabilities, net of accumulated amortization, as of December 31, 2013 and 2012:

(in thousands of dollars)	As of December 31, 2013	As of December 31, 2012
Value of in-place lease intangibles	$3,151	$1,009
Above-market lease intangibles	262	508
Subtotal	3,413	1,517
Goodwill	5,662	7,156
Total intangible assets	$9,075	$8,673
Below-market lease intangibles	$(4,815)	$(3,083)

Amortization of in-place lease intangibles was $1.6 million, $0.8 million and $2.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.
Amortization of above-market and below-market lease intangibles increased revenue by $1.0 million for the year ended December 31, 2013, increased revenue by $0.3 million for the year ended December 31, 2012 and decreased revenue by $0.1 million for the year ended December 31, 2011. In the normal course of business, our intangible assets will amortize in the next five years and thereafter as follows:

(in thousands of dollars) For the Year Ending December 31,	Value of In-Place Lease Intangibles	Above/(Below) Market Leases, net
2014	1,391	(960)
2015	371	(441)
2016	288	(421)
2017	282	(456)
2018	259	(438)
2019 and thereafter	560	(1,837)
Total	$3,151	$(4,553)

Assets Classified as Held for Sale and Discontinued Operations

The determination to classify an asset as held for sale requires significant estimates by us about the property and the expected market for the property, which are based on factors including recent sales of comparable properties, recent expressions of interest in the property, financial metrics of the property and the physical condition of the property. We must also determine if it will be possible under those market conditions to sell the property for an acceptable price within one year. When assets are identified by our management as held for sale, we discontinue depreciating the assets and estimate the sales price, net of selling costs, of such assets. We generally consider operating properties to be held for sale when they meet criteria such as whether the sale transaction has been approved by the appropriate level of management and there are no known material contingencies relating to the sale such that the sale is probable and is expected to qualify for recognition as a completed sale within one year. If, in management's opinion, the expected net sales price of the asset that has been identified as held for sale is less than the net book value of the asset, the asset is written down to fair value less the cost to sell. Assets and liabilities related to assets classified as held for sale are presented separately in the consolidated balance sheet.

Assuming that there is no significant continuing involvement, an operating real estate property that is classified as held for sale or sold is considered a discontinued operation. Operating properties classified as discontinued operations are reclassified as such in the consolidated statements of operations for each period presented. Interest expense that is specifically identifiable to the property is used in the computation of interest expense attributable to discontinued operations. See note 2 for a description of the properties included in discontinued operations. Land parcels and other portions of operating properties, non-operating real estate and investments in partnerships are excluded from discontinued operations treatment.

Capitalization of Costs

Costs incurred in relation to development and redevelopment projects for interest, property taxes and insurance are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. Costs incurred for such items after the property is substantially complete and ready for its intended use are charged to expense as incurred. Capitalized costs, as well as tenant inducement amounts and internal and external commissions, are recorded in construction in progress. We capitalize a portion of development department employees' compensation and benefits related to time spent involved in development and redevelopment projects.

We capitalize payments made to obtain options to acquire real property. Other related costs that are incurred before acquisition that are expected to have ongoing value to the project are capitalized if the acquisition of the property is probable. If the property is acquired, such costs are included in the amount recorded as the initial value of the asset. When it is probable that the property will not be acquired, capitalized pre-acquisition costs are charged to expense.

We capitalize salaries, commissions and benefits related to time spent by leasing and legal department personnel involved in originating leases with third-party tenants.

The following table summarizes our capitalized salaries, commissions and benefits, real estate taxes and interest for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
Development/Redevelopment:			
Salaries and benefits	$1,059	$805	$765
Real estate taxes	$5	$277	$280
Interest	$874	$1,549	$2,087
Leasing:			
Salaries, commissions and benefits	$5,261	$5,336	$4,999

Tenant Receivables

We make estimates of the collectibility of our tenant receivables related to tenant rent including base rent, straight-line rent, expense reimbursements and other revenue or income. We specifically analyze accounts receivable, including straight-line rent receivable, historical bad debts, customer creditworthiness and current economic and industry trends,

when evaluating the adequacy of the allowance for doubtful accounts. The receivables analysis places particular emphasis on past-due accounts and considers the nature and age of the receivables, the payment history and financial condition of the payor, the basis for any disputes or negotiations with the payor, and other information that could affect collectibility. In addition, with respect to tenants

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in bankruptcy, we make estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectibility of the related receivable. In some cases, the time required to reach an ultimate resolution of these claims can exceed one year. For straight-line rent, the collectibility analysis considers the probability of collection of the unbilled deferred rent receivable, given our experience regarding such amounts.

Income Taxes

We have elected to qualify as a real estate investment trust, or REIT, under Sections 856-860 of the Internal Revenue Code of 1986, as amended, and intend to remain so qualified.

In some instances, we follow methods of accounting for income tax purposes that differ from generally accepted accounting principles.

Earnings and profits, which determine the taxability of distributions to shareholders, will differ from net income or loss reported for financial reporting purposes due to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of our net income or loss for financial reporting purposes and for tax reporting purposes.

The following table summarizes the aggregate cost basis and depreciated basis for federal income tax purposes of our investment in real estate for the years ended December 31, 2013 and 2012:

(in millions of dollars)	As of December 31, 2013	As of December 31, 2012
Aggregate cost basis for federal income tax purposes	$3,710.1	$3,979.2
Aggregate depreciated basis for federal income tax purposes	$2,692.9	$2,908.5

We are subject to a federal excise tax computed on a calendar year basis in accordance with the Internal Revenue Code. We have, in the past, distributed a substantial portion of our taxable income in the subsequent fiscal year and might also follow this policy in the future. No provision for excise tax was made for the years ended December 31, 2013, 2012 and 2011, as no excise tax was due in those years.

The per share distributions paid to common shareholders had the following components for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
Ordinary income	$—	$—	$0.37
Capital gains	—	—	0.01
Non-dividend distributions	0.74	0.63	0.22
	$0.74	$0.63	$0.60

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In April 2012, we issued Series A Preferred Shares and in October 2012, we issued Series B Preferred Shares. The per share distributions paid to Series A preferred shareholders and Series B preferred shareholders had the following components for the years ended December 31, 2013 and 2012:

	For the Year Ended December 31,	
	2013	2012
Series A Preferred Share Dividends		
Ordinary income	$1.96	$—
Capital gains	—	—
Non-dividend distributions	0.10	1.35
	$2.06	$1.35
Series B Preferred Share Dividends		
Ordinary income	$1.75	$—
Capital gains	—	—
Non-dividend distributions	0.09	0.33
	$1.84	$0.33

We follow accounting requirements that prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. We must determine whether it is “more likely than not” that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the “more likely than not” recognition threshold, the position is measured at the largest amount of benefit that is greater than 50% likely to be realized upon settlement to determine the amount of benefit to recognize in the financial statements.

PRI is subject to federal, state and local income taxes. We had no provision or benefit for federal or state income taxes in the years ended December 31, 2013, 2012 and 2011. We had net deferred tax assets of $8.7 million and $9.1 million for the years ended December 31, 2013 and 2012, respectively. The deferred tax assets are primarily the result of net operating losses. A valuation allowance has been established for the full amount of the net deferred tax assets, since it is more likely than not that these assets will not be realized because we anticipate that the net operating losses that we have historically experienced at our taxable REIT subsidiaries will continue to occur.

Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain financing. Such costs are amortized to interest expense over the terms of the related indebtedness. Interest expense is determined using the effective interest method in the case of costs associated with mortgage loans, or on a straight line basis in the case of costs associated with our 2013 Revolving Facility (see note 4).

Derivatives

In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest-bearing liabilities. We attempt to limit these risks by following established risk management policies, procedures and strategies, including the use of derivative financial instruments. We do not use derivative financial instruments for trading or speculative purposes.

Currently, we use interest rate swaps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

Derivative financial instruments are recorded on the balance sheet as assets or liabilities based on the fair value of the instrument. Changes in the fair value of derivative financial instruments are recognized currently in earnings, unless the derivative financial instrument meets the criteria for hedge accounting. If the derivative financial instruments meet the criteria for a cash flow hedge, the gains and losses in the fair value of the instrument are deferred in other

comprehensive income. Gains and losses on a cash flow hedge are reclassified into earnings when the forecasted transaction affects earnings. A contract

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that is designated as a hedge of an anticipated transaction that is no longer likely to occur is immediately recognized in earnings.

The anticipated transaction to be hedged must expose us to interest rate risk, and the hedging instrument must reduce the exposure and meet the requirements for hedge accounting. We must formally designate the instrument as a hedge and document and assess the effectiveness of the hedge at inception and on a quarterly basis. Interest rate hedges that are designated as cash flow hedges are designed to mitigate the risks associated with future cash outflows on debt.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by us and our counterparties. As of December 31, 2013, we have assessed the significance of the effect of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Operating Partnership Unit Redemptions

Shares issued upon redemption of OP Units are recorded at the book value of the OP Units surrendered.

Share-Based Compensation Expense

Share based payments to employees and non-employee trustees, including grants of share options and restricted shares, are valued at fair value on the date of grant, and are expensed over the applicable vesting period.

Earnings Per Share

The difference between basic weighted average shares outstanding and diluted weighted average shares outstanding is the dilutive effect of common share equivalents. Common share equivalents consist primarily of shares that are issued under employee share compensation programs and outstanding share options whose exercise price is less than the average market price of our common shares during these periods.

Correction of Prior Period Presentation

Certain prior period amounts have been reclassified to conform with the current year presentation.

Our previously reported results of operations for the years ended December 31, 2012 and 2011 and interim periods for 2013 and 2012 have been corrected to eliminate certain immaterial intercompany revenues and expenses. These immaterial corrections had no effect on net income (loss), basic or diluted earnings (loss) per share amounts, comprehensive income (loss), shareholders' equity or cash flows. The immaterial corrections reduced other real estate revenue and other operating expenses by approximately $2.1 million for each of the years ended December 31, 2012 and 2011.

New Accounting Developments

In 2013, we adopted new accounting requirements relating to the presentation of comprehensive income. The new accounting
requirements mandate disclosure about items reclassified out of accumulated other comprehensive income and into net income,
and require reference to other disclosures about items that are not reclassified in their entirety into net income. The adoption of
these new accounting requirements did not have a material effect on our financial statements.

Effective January 1, 2012, in conjunction with our implementation of updates to the fair value measurements guidance, we made an accounting policy election to measure derivative financial instruments that are subject to master netting agreements on a net basis. This accounting policy election did not have a material effect on our financial statements.

In 2011, we adopted new accounting requirements relating to the presentation of comprehensive income. These accounting requirements have increased the prominence of other comprehensive income in our financial

statements. We now present the components of net income and comprehensive income in two financial statements under the heading “Consolidated Statements of Operations.”

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2. REAL ESTATE ACTIVITIES

Investments in real estate as of December 31, 2013 and 2012 were comprised of the following:

	As of December 31,	
(in thousands of dollars)	2013	2012
Buildings, improvements and construction in progress	$3,049,758	$2,996,301
Land, including land held for development	478,110	481,239
Total investments in real estate	3,527,868	3,477,540
Accumulated depreciation	(1,012,746)	(907,928)
Net investments in real estate	$2,515,122	$2,569,612

Impairment of Assets

During the years ended December 31, 2013, 2012, and 2011, we recorded asset impairment losses of $30.0 million, $3.8 million and $52.3 million, respectively. Such impairment losses are recorded in either “Impairment of assets” or “Impairment of assets of discontinued operations” based upon the classification of the property in the consolidated statements of operations. The assets that incurred impairment losses and the amount of such losses are as follows:

	For the Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
Chambersburg Mall[(1)]	$23,662	$—	$—
Phillipsburg Mall[(1)]	—	3,805	27,977
North Hanover Mall[(2)]	6,304	—	24,134
Other[(1)]	—	—	225
Total Impairment of Assets	$29,966	$3,805	$52,336

[(1)] Impairment of assets of this property is recorded in discontinued operations.

[(2)] Impairment of assets of this property is recorded in continuing operations.

Chambersburg Mall

In September 2013, we recorded a loss on impairment of assets at Chambersburg Mall in Chambersburg, Pennsylvania of $23.7 million to write down the carrying value of the property’s long-lived assets to the property’s estimated fair value of $8.2 million. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property. As a result of this factor, we determined that the holding period for the property was less than had been previously estimated, which we concluded to be a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on this factor, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Chambersburg Mall were less than the carrying value of the property, and recorded the impairment loss. We recorded the impairment loss in discontinued operations in the third quarter of 2013 and sold this property in the fourth quarter of 2013.

North Hanover Mall

In 2011, we recorded a loss on impairment of assets at North Hanover Mall in Hanover, Pennsylvania of $24.1 million to write down the carrying value of the property’s long-lived assets to the property’s then estimated fair value of $22.5 million. In 2008, we had constructed anchor space that was to be leased and occupied by department store Boscov’s, Inc. (“Boscov’s”). Prior to taking occupancy of the newly built store, Boscov’s declared bankruptcy, and the lease was subsequently rejected. We had attempted to execute a lease with a suitable retail replacement or non-retail user for this anchor location. In 2011, a newly-constructed power center opened in the trade area, increasing the competition for new tenants. After entering into lease negotiations in 2011, in January 2012, we entered into a lease with J.C. Penney Company, Inc. for it to move from its then-current location to a significant portion of the newly constructed anchor space. The economic terms of this transaction, which were substantially completed in 2011, were less favorable than the terms of the original Boscov’s lease. During the third quarter of 2011, in connection with our 2012 business plan

and budgeting process, we concluded that there was a low likelihood that we would be able to lease the vacant department store space on favorable terms. We further concluded that these factors constituted a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated

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assumptions based on these factors, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for North Hanover Mall were less than the carrying value of the property, and recorded the impairment loss.

In September 2013, we recorded a further loss on impairment of assets at North Hanover Mall of $6.3 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of $16.7 million. Since 2011, the property experienced further declines in net operating income and occupancy. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property, which are ongoing and could result in changes to our underlying assumptions. As a result of these factors, we determined that the holding period for the property was less than had previously been estimated, which we concluded to be a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on these factors, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for North Hanover Mall were less than the carrying value of the property, and recorded the impairment loss.

Phillipsburg Mall

In 2011, we recorded a loss on impairment of assets at Phillipsburg Mall in Phillipsburg, New Jersey of $28.0 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of$15.0 million. During 2011, Phillipsburg Mall experienced significant decreases in non anchor occupancy and net operating income as a result of unfavorable economic conditions in the Phillipsburg, New Jersey trade area, combined with negative trends in the retail sector. The occupancy declines resulted from store closings of underperforming tenants. Net operating income at this property was also affected by an increase in the number of tenants paying a percentage of their sales in lieu of minimum rent, combined with declining tenant sales. As a result of these conditions, during the third quarter of 2011, in connection with the preparation of our 2012 business plan and budgets, we determined that the estimated undiscounted future cash flows, net of estimated capital expenditures, to be generated by the property were less than the carrying value of the property, and recorded the impairment loss.

In the fourth quarter of 2012, we recorded an additional impairment loss on Phillipsburg Mall of $3.8 million. The amount of the impairment loss was determined based on the sale price of the property. We sold this property in the first quarter of 2013.

Discontinued Operations

We have presented as discontinued operations the operating results of Phillipsburg Mall, Orlando Fashion Square, Chambersburg Mall, Paxton Towne Centre, Christiana Center and Commons at Magnolia, which are properties that were sold in 2013.

The following table summarizes revenue and expense information for the years ended December 31, 2013, 2012 and 2011 for our discontinued operations:

	For the Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
Real estate revenue	$ 10,014	$ 33,046	$ 35,270
Expenses:			
Operating expenses	(4,288)	(15,340)	(15,842)
Depreciation and amortization	(1,161)	(8,877)	(12,402)
Interest expense	(1,753)	(4,202)	(5,108)
Total expenses	(7,202)	(28,419)	(33,352)
Operating results from discontinued operations	2,812	4,627	1,918
Impairment of assets of discontinued operations	(23,662)	(3,805)	(27,977)
Gains on sales of discontinued operations	78,512	947	—
Income (loss) from discontinued operations	$ 57,662	$ 1,769	$ (26,059)

Acquisitions

In April 2013, we acquired a building located contiguous to The Gallery at Market East in Philadelphia, Pennsylvania for $59.6 million, representing a capitalization rate of approximately 5.7%.

Dispositions

The table below presents our dispositions since January 1, 2011:

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate		Sale Price	Gain/ (Loss)
					(in millions of dollars)	
2013 Activity:						
January	Phillipsburg Mall, Phillipsburg, New Jersey	Mall[1]	9.8	%	$ 11.5	$ —
	Paxton Towne Centre, Harrisburg, Pennsylvania	Power center[2][3]	6.9	%	76.8	32.7
February	Orlando Fashion Square, Orlando, Florida	Mall[4]	9.8	%	35.0	0.7
September	Commons at Magnolia, Florence, South Carolina	Strip Center[5]	8.9	%	12.3	4.3
	Christiana Center, Newark, Delaware	Power Center[2][5][6]	6.5	%	75.0	40.8
November	Chambersburg Mall, Chambersburg, Pennsylvania	Mall[7]	NM[8]		8.5	—
2011 Activity:						
May	Voorhees Town Center, Voorhees, New Jersey	Condominium interest in the mall	—		5.9	0.7
May	Pitney Road Plaza, Lancaster, Pennsylvania	Parcel and land improvements	—		1.4	0.7
December	New River Valley Mall, Christiansburg, Virginia	Unimproved land parcel	—		0.2	0.1

(1) We used proceeds of $11.5 million plus $4.5 million of available working capital to pay for the release of the lien on this collateral property, which secured a portion of our 2010 Credit Facility (as defined in note 4).

(2) We divested goodwill of $0.7 million and $0.8 million in connection with the dispositions of Paxton Towne Centre and Christiana Center, respectively.

(3) We used proceeds from the sale of this property to repay the $50.0 million mortgage loan secured by the property.

(4) We used proceeds of $35.0 million plus a nominal amount of available working capital to pay for the release of the lien on this collateral property, which secured a portion of our 2010 Credit Facility.

(5) We used combined proceeds from the sales of these properties to repay $35.0 million of amounts outstanding under our 2013 Revolving Facility and we used the remaining proceeds for general corporate purposes.

(6) The buyer of this property assumed the $49.2 million mortgage loan secured by this property.

(7) In the third quarter of 2013, we recorded a loss on impairment of assets at Chambersburg Mall of $23.7 million. We used proceeds from the sale of this property for general corporate purposes.

(8) The capitalization rate was not meaningful in the context of this transaction.

Dispositions – Other Activity

In September 2013, we sold a condominium interest in connection with a ground lease located at Voorhees Town Center in
Voorhees, New Jersey for $10.5 million. No gain or loss was recorded in connection with this sale.

In December 2012, we sold our remaining interest in Northeast Tower Center in Philadelphia, Pennsylvania in exchange for cancellation of a $3.8 million note payable to the buyer. We recorded a gain of $0.9 million from this sale in 2012.

The Gallery at Market East RACP Grant

We were awarded a total grant of $13.5 million from the Pennsylvania Redevelopment Assistance Capital Program ("RACP") in connection with our redevelopment of The Gallery at Market East in Philadelphia, Pennsylvania. We were originally awarded $10.5 million in 2011. In 2013, the award was amended to provide an additional grant amount of $3.0 million. Of this total grant amount, $3.0 million was received through December 31, 2013 and was used to offset the cost of the improvements that we made with respect to one tenant who took possession of its rental space in 2012. We will recognize the $3.0 million grant associated with this tenant as income over the 20-year useful life of the improvements. We recognized income related to the grant of $0.2 million and $0.1 million in the years ended December 31, 2013 and 2012, respectfully.

Development Activities

As of December 31, 2013 and 2012, we had capitalized amounts related to construction and development activities. The following table summarizes certain capitalized construction and development information for our consolidated properties as of December 31, 2013 and 2012:

	As of December 31,	
(in millions of dollars)	2013	2012
Construction in progress	$ 68.8	$ 68.6
Land held for development	8.7	13.2
Deferred costs and other assets	1.1	3.7
Total capitalized construction and development activities	$ 78.6	$ 85.5

As of December 31, 2013, we had $1.1 million of refundable deposits and $0.2 million in non-refundable deposits on land and building purchase contracts.

3. INVESTMENTS IN PARTNERSHIPS

The following table presents summarized financial information of the equity investments in our unconsolidated partnerships as of December 31, 2013 and 2012:

	As of December 31,	
(in thousands of dollars)	2013	2012
ASSETS:		
Investments in real estate, at cost:		
Retail properties	$416,964	$414,515
Construction in progress	2,298	2,003
Total investments in real estate	419,262	416,518
Accumulated depreciation	(169,369)	(157,361)
Net investments in real estate	249,893	259,157
Cash and cash equivalents	15,327	9,833
Deferred costs and other assets, net	19,474	18,605
Total assets	284,694	287,595
LIABILITIES AND PARTNERS' EQUITY (DEFICIT):		
Mortgage loans	398,717	405,297
Other liabilities	9,667	9,130
Total liabilities	408,384	414,427
Net deficit	(123,690)	(126,832)
Partners' share	(66,325)	(67,735)
Company's share	(57,365)	(59,097)
Excess investment[1]	8,837	9,078
Net investments and advances	$(48,528)	$(50,019)
Investment in partnerships, at equity	$15,963	$14,855
Distributions in excess of partnership investments	(64,491)	(64,874)
Net investments and advances	$(48,528)	$(50,019)

(1) Excess investment represents the unamortized difference between our investment and our share of the equity in the underlying net investment in the partnerships. The excess investment is amortized over the life of the properties, and the amortization is included in "Equity in income of partnerships."

We record distributions from our equity investments up to an amount equal to the equity in income of partnerships as cash from operating activities. Amounts in excess of our share of the income in the equity investments are treated as a return of partnership capital and recorded as cash from investing activities.

The following table summarizes our share of equity in income of partnerships for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
(in thousands of dollars)	2013	2012	2011
Real estate revenue	$81,020	$77,533	$76,134
Expenses:			
Operating expenses	(24,104)	(23,023)	(22,994)
Interest expense	(22,228)	(22,573)	(22,789)
Depreciation and amortization	(14,401)	(14,447)	(15,894)
Total expenses	(60,733)	(60,043)	(61,677)
Net income	20,287	17,490	14,457
Less: Partners' share	(10,096)	(8,738)	(7,189)
Company's share	10,191	8,752	7,268
Amortization of excess investment	(413)	(414)	(633)
Equity in income of partnerships	$9,778	$8,338	$6,635

Financing Activity of Unconsolidated Properties

Mortgage loans, which are secured by eight of the partnership properties (including one property under development), are due in installments over various terms extending to the year 2023. Five of the mortgage loans bear interest at a fixed interest rate and three of the mortgage loans bear interest at a variable interest rate. The balances of the fixed interest rate mortgage loans have interest rates that range from 5.00% to 7.00% and had a weighted average interest rate of 5.56% at December 31, 2013. The variable interest rate mortgage loans have interest rates that range from 2.93% to 3.27% and had a weighted average interest rate of 3.20% at December 31, 2013. The weighted average interest rate of all partnership mortgage loans was 5.08% at December 31, 2013. The liability under each mortgage loan is limited to the partnership that owns the particular property. Our proportionate share, based on our respective partnership interest, of principal payments due in the next five years and thereafter is as follows:

(in thousands of dollars)	Company's Proportionate Share			
For the Year Ending December 31,	Principal Amortization	Balloon Payments	Total	Property Total
2014	$3,411	$—	$3,411	$6,870
2015	3,452	35,221	38,673	77,395
2016	3,004	—	3,004	6,056
2017	3,145	3,283	6,428	14,527
2018	3,184	4,145	7,329	14,658
2019 and thereafter	8,948	130,658	139,606	279,211
	$25,144	$173,307	$198,451	$398,717

We have a 50% partnership interest in Lehigh Valley Associates LP, the owner of Lehigh Valley Mall, which is a significant unconsolidated subsidiary, and that is included in the amounts above. Summarized financial information as of or for the year ended December 31, 2013 for this property, which is accounted for by the equity method, is as follows:

(in thousands of dollars)	As of or for the Year Ended December 31, 2013
Total assets	$60,653
Mortgages payable	133,542
Revenues	36,030
Property operating expenses	9,817
Interest expense	7,962
Net income	14,759
PREIT's share of equity in income of partnership	7,380

Mortgage Loan Activity—Unconsolidated Properties
The following table presents the mortgage loans secured by our unconsolidated properties entered into since January 1, 2012:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2012 Activity:				
July	Pavilion East[1]	$ 9.4	LIBOR plus 2.75%	August 2017

(1) The unconsolidated entity that owns Pavilion East entered into the mortgage loan. Our interest in the unconsolidated entity is 40%. The mortgage loan has a term of five years. In connection with this new mortgage loan financing, the unconsolidated entity repaid the previous $9.2 million mortgage loan using proceeds from the new mortgage loan.

4. FINANCING ACTIVITY
2013 Revolving Facility, as amended

In April 2013, PREIT, PREIT Associates and PRI (collectively, the "Borrower") entered into a Credit Agreement (the “2013 Revolving Facility”) with Wells Fargo Bank, National Association, and the other financial institutions signatory thereto, for a $400.0 million senior unsecured revolving credit facility. The 2013 Revolving Facility replaced the previously existing 2010 Credit Facility. In December 2013, we amended the 2013 Revolving Facility to make certain terms of the 2013 Revolving Facility consistent with the terms of the 2014 Term Loans (discussed below). All capitalized terms used in this note 4 and not otherwise defined herein have the meanings ascribed to such terms in the 2013 Revolving Facility, as amended.

As of December 31, 2013, $130.0 million was outstanding under our 2013 Revolving Facility and the unused portion that was available to us was $270.0 million.

The weighted average interest rate on outstanding 2013 Revolving Facility borrowings as of December 31, 2013 was 1.87%. Interest expense related to the 2013 Revolving Facility was $2.5 million for the year ended December 31, 2013. Deferred financing fee amortization associated with the 2013 Revolving Facility was $1.1 million for the year ended December 31, 2013.

The initial maturity of the 2013 Revolving Facility is April 17, 2016, and the Borrower has options for two one-year extensions of the initial maturity date, subject to certain conditions and to the payment of extension fees of 0.15% and 0.20% of the Facility Amount for the first and second options, respectively.

The Borrower has the option to increase the maximum amount available under the 2013 Revolving Facility, through an accordion option, from $400.0 million to as much as $600.0 million, in increments of $5.0 million (with a minimum increase of $25.0 million), based on Wells Fargo Bank’s ability to obtain increases in Revolving Commitments from the current lenders or

Revolving Commitments from new lenders. No increase to the maximum amount available under the 2013 Revolving Facility has been exercised by the Borrower.

Amounts borrowed under the 2013 Revolving Facility bear interest at a rate between 1.50% and 2.05% per annum, depending on PREIT's leverage, in excess of LIBOR, with no floor, as set forth in the table below. The rate in effect at December 31, 2013 was 1.70% per annum in excess of LIBOR. In determining PREIT's leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is (a) 6.50% for each Property having an average sales per square foot of more than $500 for the most recent period of 12 consecutive months, and (b) 7.50% for any other Property.

Level	Ratio of Total Liabilities to Gross Asset Value	Applicable Margin	
1	Less than 0.450 to 1.00	1.50	%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.70	%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.85	%
4	Equal to or greater than 0.550 to 1.00	2.05	%

In the event that we seek and obtain an investment grade credit rating, alternative interest rates would apply. The unused portion of the 2013 Revolving Facility is subject to a facility fee of 0.30% per annum. In the event that we seek and obtain an investment grade credit rating, alternative facility fees would apply.

PREIT and the subsidiaries of PREIT that either (1) account for more than 2.5% of adjusted Gross Asset Value (other than an Excluded Subsidiary), (2) own or lease an Unencumbered Property, or (3) own, directly or indirectly, a subsidiary described in clause (2) will serve as guarantors for funds borrowed under the 2013 Credit Facility. In the event that we seek and obtain an investment grade credit rating, we may request that a subsidiary guarantor be released, unless such guarantor becomes obligated in respect of the debt of the Borrower or another subsidiary or owns Unencumbered Property or incurs recourse debt.

PREIT may not permit the amount of the Gross Asset Value attributable to assets directly owned by the Borrowers and the guarantors to be less than 95% of Gross Asset Value excluding assets owned by Excluded Subsidiaries or Unconsolidated Affiliates.

The 2013 Revolving Facility and the 2014 Term Loans (discussed below) are cross-defaulted with one another.

The 2013 Revolving Facility and the 2014 Term Loans contain certain affirmative and negative covenants which are identical and which are described in detail below in the section entitled "Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans." As of December 31, 2013, the Borrower was in compliance with all such financial covenants.

The Borrower may prepay the 2013 Revolving Facility at any time without premium or penalty, subject to reimbursement obligations for the lenders' breakage costs for LIBOR borrowings. The Borrower must repay the entire principal amount outstanding under the 2013 Revolving Facility at the end of its term, as the term may have been extended.

Upon the expiration of any applicable cure period following an event of default, the lenders may declare all of the obligations in connection with the 2013 Revolving Facility immediately due and payable, and the Commitments of the lenders to make further loans under the 2013 Revolving Facility will terminate. Upon the occurrence of a voluntary or involuntary bankruptcy proceeding of PREIT, PREIT Associates, PRI, any Material Subsidiary, any subsidiary that

owns or leases an Unencumbered Property or certain other subsidiaries, all outstanding amounts will automatically become immediately due and payable and the Commitments of the lenders to make further loans will automatically terminate.

The Borrower used the initial proceeds from the 2013 Revolving Facility to repay both $97.5 million outstanding under the 2010 Term Loan and $95.0 million outstanding under the 2010 Revolving Facility.

2014 Term Loans

On January 8, 2014, the Borrower entered into two unsecured term loans in the initial aggregate amount of $250.0 million, comprised of:

(1) a 5 Year Term Loan Agreement (the “5 Year Term Loan”) with Wells Fargo Bank, National Association, U.S. Bank National Association and the other financial institutions signatory thereto, for a $150.0 million senior unsecured 5 year term loan facility; and

(2) a 7 Year Term Loan Agreement (the "7 Year Term Loan" and, together with the 5 Year Term Loan, the "2014 Term Loans") with Wells Fargo Bank, National Association, Capital One, National Association and the other financial institutions signatory thereto, for a $100.0 million senior unsecured 7 year term loan facility.

Amounts borrowed under the 5 Year Term Loan and the 7 Year Term Loan bear interest at the rate specified below per annum, depending on PREIT's leverage, in excess of LIBOR, with no floor. In determining PREIT's leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is (a) 6.50% for each Property having an average sales per square foot of more than $500 for the most recent period of 12 consecutive months, and (b) 7.50% for any other Property.

Level	Ratio of Total Liabilities to Gross Asset Value	5 Year Term Loan Applicable Margin	7 Year Term Loan Applicable Margin
1	Less than 0.450 to 1.00	1.35%	1.80%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.45%	1.95%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.60%	2.15%
4	Equal to or greater than 0.550 to 1.00	1.90%	2.35%

The initial rate in effect under the 5 Year Term Loan was 1.45% per annum in excess of LIBOR. The initial rate in effect under the 7 Year Term Loan was 1.95% per annum in excess of LIBOR.

If PREIT seeks and obtains an investment grade credit rating and so notifies the lenders under the respective 2014 Term Loans, alternative interest rates would apply.

The table set forth below presents the initial amount outstanding, initial interest rate (inclusive of the initial LIBOR spread) in effect and the maturity dates of the 2014 Term Loans:

(in millions of dollars)	5 Year Term Loan		7 Year Term Loan	
Total facility	$150.0		$100.0	
Initial borrowing	$100.0		$30.0	
Initial interest rate	1.61	%	2.11	%
Maturity date	January 2019		January 2021	

Under the 2014 Term Loans, there is a deferred draw feature that enables PREIT to borrow the amounts specified in each of the term loans over a period of up to one year. From the effective date until either one year later or until the maximum amount under the respective loan is borrowed (or until the lenders' commitments are otherwise terminated), the unused portion of the 2014 Term Loans is subject to a fee of 0.20%, in the case of the 5 year Term Loan, and 0.35%, in the case of the 7 Year Term Loan, per annum. There is an additional commitment termination fee under the 7 Year Term Loan if the maximum amount is not borrowed within one year.

PREIT and the subsidiaries of PREIT that either (1) account for more than 2.5% of adjusted Gross Asset Value (other than an Excluded Subsidiary), (2) own or lease an Unencumbered Property, (3) own, directly or indirectly, a subsidiary described in clause (2), or (4) are guarantors under the 2013 Revolving Facility will serve as guarantors for funds borrowed under the 2014 Term Loans.

The Borrower has the option to increase the maximum amount available under the 5 Year Term Loan, through an accordion option (subject to certain conditions), from $150.0 million to as much as $300.0 million, in increments of

$5.0 million (with a minimum increase of $25.0 million), based on Wells Fargo Bank's ability to obtain increases in commitments from the current lenders or from new lenders.

The Borrower has the option to increase the maximum amount available under the 7 Year Term Loan, through an accordion option (subject to certain conditions), from $100.0 million to as much as $200.0 million, in increments of $5.0 million (with a minimum increase of $25.0 million), based on Wells Fargo Bank's ability to obtain increases in commitments from the current lenders or from new lenders.

The 2014 Term Loans and the 2013 Revolving Facility contain certain affirmative and negative covenants which are identical and are described in detail below in the section "Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans." The 2014 Term Loans also contain an additional covenant that PREIT may not permit the amount of the Gross Asset Value attributable to assets directly owned by PREIT, PREIT Associates, PRI and the guarantors to be less than 95% of Gross Asset Value excluding assets owned by Excluded Subsidiaries or Unconsolidated Affiliates.

The Borrower may prepay the 5 Year Term Loan at any time without premium or penalty, subject to reimbursement obligations for the lenders' breakage costs for LIBOR borrowings. The payment of the 7 Year Term Loan prior to its maturity is subject to reimbursement obligations for the lenders' breakage costs for LIBOR borrowings and a declining prepayment penalty ranging from 3% for one year after closing, to 2% after two years, to 1% after three years and without penalty thereafter.

Upon the expiration of any applicable cure period following an event of default, the lenders may declare all of the obligations in connection with the 2014 Term Loans immediately due and payable, and before the one year anniversary of the effective date, the commitments of the lenders to make further loans, if any, under the 2014 Term Loans would terminate. Upon the occurrence of a voluntary or involuntary bankruptcy proceeding of PREIT, PREIT Associates, PRI, any material subsidiary, any subsidiary that owns or leases an Unencumbered Property or certain other subsidiaries, all outstanding amounts would automatically become immediately due and payable and, before the one year anniversary of the effective date, the commitments of the lenders to make further loans will automatically terminate.

PREIT may use the proceeds of the 2014 Term Loans for the repayment of debt, for the payment of development or redevelopment costs and for working capital and general corporate purposes.

Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans

The 2013 Revolving Facility and the 2014 Term Loans contain certain affirmative and negative covenants which are identical, including, without limitation, requirements that PREIT maintain, on a consolidated basis: (1) minimum Tangible Net Worth of not less than 75% of the Company's tangible net worth on December 31, 2012, plus 75% of the Net Proceeds of all Equity Issuances effected at any time after December 31, 2012; (2) maximum ratio of Total Liabilities to Gross Asset Value of 0.60:1, provided that it will not be a Default if the ratio exceeds 0.60:1 but does not exceed 0.625:1 for more than two consecutive quarters on more than two occasions during the term; (3) minimum ratio of Adjusted EBITDA to Fixed Charges of 1.45:1 on or before June 30, 2014, or 1.50:1 thereafter; (4) minimum Unencumbered Debt Yield of 12.0%; (5) minimum Unencumbered NOI to Unsecured Interest Expense of 1.75:1; (6) maximum ratio of Secured Indebtedness to Gross Asset Value of 0.60:1; (7) maximum Investments in unimproved real estate and predevelopment costs not in excess of 5.0% of Gross Asset Value; (8) maximum Investments in Persons other than Subsidiaries, Consolidated Affiliates and Unconsolidated Affiliates not in excess of 5.0% of Gross Asset Value; (9) maximum Mortgages in favor of the Borrower or any other Subsidiary not in excess of 5.0% of Gross Asset Value; (10) the aggregate value of the Investments and the other items subject to the preceding clauses (7) through (9) not in excess of 10.0% of Gross Asset Value; (11) maximum Investments in Consolidation Exempt Entities not in excess of 25.0% of Gross Asset Value; (12) maximum Projects Under Development not in excess of 15.0% of Gross Asset Value; (13) the aggregate value of the Investments and the other items subject to the preceding clauses (7) through (9) and (11) and (12) not in excess of 35.0% of Gross Asset Value; and (14) Distributions may not exceed (A) with respect to our preferred shares, the amounts required by the terms of the preferred shares, and (B) with respect to our common shares, the greater of (i) 95.0% of Funds From Operations (FFO) and (ii) 110% of REIT taxable income for a fiscal year. These covenants and restrictions limit PREIT's ability to incur additional indebtedness, grant liens on assets and enter into negative pledge agreements, merge, consolidate or sell all or

substantially all of its assets and enter into certain transactions with affiliates. The 2014 Term Loans and the 2013 Revolving Facility are subject to customary events of default and are cross-defaulted with one another.

2010 Credit Facility

Prior to the 2013 Revolving Facility, we had a secured credit facility consisting of a revolving line of credit with a capacity of $250.0 million (the “2010 Revolving Facility”) and term loans with an aggregate balance prior to repayment of $97.5 million (collectively, the “2010 Term Loan” and, together with the 2010 Revolving Facility, the “2010 Credit Facility”).
Interest expense related to the 2010 Revolving Facility was $0.4 million, $2.6 million and $2.6 million for the years ended December 31, 2013, 2012, and 2011, respectively, excluding non-cash amortization of deferred financing fees. The weighted average effective interest rates based on amounts borrowed under the 2010 Term Loan for 2013, 2012 and 2011 were 3.95%, 4.82% and 5.58%, respectively. Interest expense excluding non-cash amortization and accelerated amortization of

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deferred financing fees related to the 2010 Term Loan was $2.4 million, $14.4 million and $17.5 million for 2013, 2012 and 2011, respectively.
Deferred financing fee amortization associated with the 2010 Credit Facility for the years ended December 31, 2013, 2012 and 2011 was $0.8 million, $3.5 million and $3.6 million, respectively. Accelerated deferred financing fee amortization associated with the 2010 Credit Facility for the years ended December 31, 2013, 2012 and 2011 was $0.9 million, $0.7 million and $0.1 million, respectively, in connection with permanent paydowns of the 2010 Term Loan of $182.0 million, $58.0 million and $7.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Mortgage Loans
Our mortgage loans, which are secured by 18 of our consolidated properties, are due in installments over various terms extending to the year 2023. Twelve of these mortgage loans bear interest at fixed interest rates that range from 3.90% to 6.34% and had a weighted average interest rate of 5.05% at December 31, 2013. Six of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.68% at December 31, 2013. The weighted average interest rate of all consolidated mortgage loans was 4.65% at December 31, 2013. Mortgage loans for properties owned by unconsolidated partnerships are accounted for in “Investments in partnerships, at equity” and “Distributions in excess of partnership investments,” and are not included in the table below.
The following table outlines the timing of principal payments and balloon payments pursuant to the terms of our mortgage loans of our consolidated properties as of December 31, 2013:

(in thousands of dollars) For the Year Ending December 31,	Principal Amortization	Balloon Payments[1]	Total
2014	$ 17,457	$ 51,000	$ 68,457
2015	22,198	270,799	292,997
2016	13,321	243,745	257,066
2017	12,401	150,000	162,401
2018	12,075	141,532	153,607
2019 and thereafter	47,477	520,645	568,122
	$ 124,929	$ 1,377,721	$ 1,502,650

[1]The maturity date for the balloon payment due in 2014 may be extended pursuant to the terms of the applicable loan agreement.

The estimated fair values of mortgage loans based on year-end interest rates and market conditions at December 31, 2013 and 2012 are as follows:

	2013		2012	
(in millions of dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans	$ 1,502.7	$ 1,467.9	$ 1,718.1	$ 1,739.1

The mortgage loans contain various customary default provisions. As of December 31, 2013, we were not in default on any of the mortgage loans.

Mortgage Loan Activity

The following table presents the mortgage loans we have entered into or extended since January 1, 2012 relating to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2013 Activity:				
February	Francis Scott Key Mall[1][2]	$62.6	LIBOR plus 2.60%	March 2018
February	Lycoming Mall[3]	35.5	LIBOR plus 2.75%	March 2018
February	Viewmont Mall[1]	48.0	LIBOR plus 2.60%	March 2018
March	Dartmouth Mall	67.0	3.97% fixed	April 2018
September	Logan Valley Mall[4]	51.0	LIBOR plus 2.10%	September 2014
December	Wyoming Valley Mall[5]	78.0	5.17% fixed	December 2023
2012 Activity:				
January	New River Valley Mall[6]	28.1	LIBOR plus 3.00%	January 2019
February	Capital City Mall	65.8	5.30% fixed	March 2022
July	Christiana Center[7]	50.0	4.64% fixed	August 2022
August	Cumberland Mall	52.0	4.40% fixed	August 2022
August	Cherry Hill Mall[8]	300.0	3.90% fixed	September 2022

(1) Interest only payments.

(2) The mortgage loan may be increased by $7.9 million subject to certain prescribed conditions.

(3) The initial amount of the mortgage loan was $28.0 million. We took additional draws of $5.0 million in October 2009 and $2.5 million in March 2010. The mortgage loan was amended in February 2013 to lower the interest rate to LIBOR plus 2.75% and to extend the maturity date to March 2018. In February 2013, the unamortized balance of the mortgage loan was $33.4 million before we borrowed an additional $2.1 million to bring the total amount financed to $35.5 million.

(4) The initial amount of the mortgage loan was $68.0 million. We repaid $5.0 million in September 2011 and $12.0 million in September 2013. We exercised our right under the loan in September 2013 to extend the maturity date to September 2014.

(5) Interest only payments until March 2015. Principal and interest payments commencing in April 2015.

(6) Extension option modified the mortgage rate and payment terms. Interest only payments for the first five years. Principal and interest commence January 2017 based on a 25 year amortization schedule, with a balloon payment due in January 2019.

(7) The property was sold in September 2013 and the buyer assumed the remaining $49.2 million mortgage loan.

(8) Interest only payments for the first two years. Principal and interest payments commencing on October 1, 2014, with a balloon payment due in September 2022.

Other 2013 Activity

In February 2013, we repaid a $53.2 million mortgage loan on Moorestown Mall in Moorestown, New Jersey using $50.0 million from our 2010 Revolving Facility and $3.2 million from available working capital.

In May 2013, we repaid a $56.3 million mortgage loan on Jacksonville Mall in Jacksonville, North Carolina using $35.0 million from our 2013 Revolving Facility and $21.3 million from available working capital. See note 6 for

additional information on the $2.9 million loss on hedge ineffectiveness that was recorded during the three months ended June 30, 2013 in
connection with this transaction.

In September 2013, we repaid a $65.0 million mortgage loan on Wyoming Valley Mall in Wilkes-Barre, Pennsylvania using
$65.0 million from our 2013 Revolving Facility.

In October 2013, we repaid a $66.9 million mortgage loan on Exton Square Mall in Exton, Pennsylvania using $60.0 million from our 2013 Revolving Facility and $6.9 million from available working capital.

In December 2013, we repaid a $42.2 million mortgage loan on Beaver Valley Mall in Monaca, Pennsylvania using proceeds from the December 2013 financing of Wyoming Valley Mall.

5. EQUITY OFFERINGS

2013 Common Share Offering

In May 2013, we issued 11,500,000 common shares in a public offering at $20.00 per share. We received net proceeds from the offering of $220.5 million after deducting payment of the underwriting discount of $0.80 per share and offering expenses. We used a portion of the net proceeds from this offering to repay all $192.5 million of then-outstanding borrowings under the 2013 Revolving Facility.

2012 Preferred Share Offerings

In April 2012, we issued 4,600,000 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the "Series A Preferred Shares") in a public offering at $25.00 per share. We received net proceeds from the offering of $110.9 million after deducting payment of the underwriting discount of $3.6 million ($0.7875 per Series A Preferred Share) and estimated offering expenses of $0.5 million. We used a portion of the net proceeds from this offering to repay all $30.0 million of then-outstanding borrowings under the 2010 Revolving Facility.

In October 2012, we issued 3,450,000 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares (the "Series B Preferred Shares") in a public offering at $25.00 per share. We received net proceeds from the offering of $83.3 million after deducting payment of the underwriting discount of $2.7 million ($0.7875 per Series B Preferred Share) and estimated offering expenses of $0.3 million. We used a portion of the net proceeds from this offering to repay all $15.0 million of then-outstanding borrowings under the 2010 Revolving Facility and $58.0 million of borrowings under the 2010 Term Loan.

We may not redeem the Series A Preferred Shares or the Series B Preferred Shares before April 20, 2017 and October 11, 2017, respectively, except to preserve our status as a REIT or upon the occurrence of a Change of Control, as defined in the Trust Agreement addendums designating the Series A and Series B Preferred Shares, respectively. On and after April 20, 2017 and October 11, 2017, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares, respectively, at $25.00 per share plus any accrued and unpaid dividends. In addition, upon the occurrence of a Change of Control, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares for cash within 120 days after the first date on which such Change of Control occurred at $25.00 per share plus any accrued and unpaid dividends. The Series A Preferred Shares and the Series B Preferred Shares have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless we redeem or otherwise repurchase them or they are converted.

As of December 31, 2012, there was $0.7 million in accumulated but unpaid dividends relating to the Series A and Series B Preferred Shares. This amount was deducted from net loss to determine net loss attributable to common shareholders.

6. DERIVATIVES

In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest bearing liabilities. We attempt to limit these risks by following established risk management policies, procedures and strategies, including the use of financial instruments such as derivatives. We do not use financial instruments for trading or speculative purposes.

Cash Flow Hedges of Interest Rate Risk

Our outstanding derivatives have been designated under applicable accounting authority as cash flow hedges. The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in "Accumulated other comprehensive income (loss)" and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. To the extent these instruments are ineffective as cash flow hedges, changes in the fair value of these instruments are recorded in "Interest expense, net." We recognize all

derivatives at fair value as either assets or liabilities in the accompanying consolidated balance sheets. Our derivative assets are recorded in “Deferred costs and other assets” and our derivative liabilities are recorded in “Fair value of derivative instruments.”

Amounts reported in “Accumulated other comprehensive income (loss)” that are related to derivatives will be reclassified to “Interest expense, net” as interest payments are made on our corresponding debt. During the next twelve months, we estimate that $2.5 million will be reclassified as an increase to interest expense in connection with derivatives.

Interest Rate Swaps

As of December 31, 2013, we had entered into six interest rate swap agreements with a weighted average interest swap rate of 1.61% on a notional amount of $198.6 million maturing on various dates through January 1, 2018. We entered into these interest rate swap agreements in order to hedge the interest payments associated with our issuances of variable interest rate long term debt. We have assessed the effectiveness of these interest rate swap agreements as hedges at inception and do so on a quarterly basis. On December 31, 2013, we considered these interest rate swap agreements to be highly effective as cash flow hedges. The interest rate swap agreements are net settled monthly.

In January 2014, we entered into six forward starting interest rate swap agreements with a weighted average interest swap rate of 1.78% on a notional amount of $130.0 million, each with an effective date of February 3, 2014 and each maturing on January 2, 2019. We entered into these forward starting swap agreements in order to hedge the interest payments associated with our initial borrowings under our 2014 Term Loans.

In the year ended December 31, 2013, we recorded net losses on hedge ineffectiveness of $3.4 million. We recorded $2.9 million in net losses on hedge ineffectiveness relating to a forward starting swap that was cash settled in 2008 in connection with the May 2013 Jacksonville Mall mortgage loan repayment. The mortgage loan repayment made it probable that the hedged transaction identified in our original hedge documentation would not occur, and we therefore reclassified $2.9 million from “Accumulated other comprehensive income (loss)” to “Interest expense, net.” We also recorded $0.5 million in net losses on hedge ineffectiveness due to the accelerated amortization of $0.5 million in connection with the partial mortgage loan repayments at Logan Valley Mall.

In the year ended December 31, 2012, we recorded net losses on hedge ineffectiveness of $1.2 million. As the result of our permanent paydown of a portion of our 2010 Credit Facility in 2012 and expected repayments of mortgage loans secured by properties expected to be sold in 2013, we anticipated that we would not have sufficient 1-month LIBOR based interest payments to meet the entire swap notional amount related to three of our swaps. Therefore, it was probable that a portion of the hedged forecasted transactions (1-month LIBOR interest payments) associated with the three swaps would not occur by the end of the originally specified time period as documented at the inception of the hedging relationships. As such, previously deferred losses in other comprehensive income in the amount of $0.6 million related to these three interest rate swaps were reclassified into interest expense during 2012. One of those swaps with a notional amount of $40.0 million no longer qualified for hedge accounting as a result of the missed forecasted transactions and was marked to market through earnings prospectively. These swaps expired by their terms in March 2013. Additionally, certain of the properties that were under contract to be sold as of December 31, 2012 served as security for mortgage loans that were previously hedged. Since it was probable because of the pending sales that the hedged transactions as identified in our original hedge documentation would not occur, we reclassified $0.6 million from other comprehensive income to interest expense.

Accumulated other comprehensive income (loss) as of December 31, 2013 includes a net loss of $4.4 million relating to forward-starting swaps that we cash settled in prior years that are being amortized over 10 year periods commencing on the closing dates of the debt instruments that are associated with these settled swaps.

The following table summarizes the terms and estimated fair values of our interest rate swap derivative instruments at December 31, 2013 and December 31, 2012. The notional values provide an indication of the extent of our involvement in these instruments, but do not represent exposure to credit, interest rate or market risks.

(in millions of dollars) Notional Value	Fair Value at December 31, 2013[(1)]	Fair Value at December 31, 2012[(1)]	Interest Rate	Maturity Date
Interest Rate Swaps				
60.0	N/A	$(0.2)	1.74%	March 11, 2013
200.0	N/A	(1.0)	2.96%	March 11, 2013
40.0	N/A	(0.1)	1.82%	March 11, 2013
65.0	N/A	(1.5)	3.60%	September 9, 2013
68.0	N/A	(1.6)	3.69%	September 9, 2013
35.0	N/A	(1.4)	3.73%	September 9, 2013
55.0	N/A	(1.3)	2.90%	November 29, 2013
48.0	N/A	(1.2)	2.90%	November 29, 2013
25.0	$(0.3)	(0.5)	1.10%	July 31, 2016
28.1	(0.5)	(0.9)	1.38%	January 2, 2017
34.9	0.2	N/A	3.72%	December 1, 2017
7.6	0.1	N/A	1.00%	January 1, 2018
48.0	0.2	N/A	1.12%	January 1, 2018
55.0	0.2	N/A	1.12%	January 1, 2018
	$(0.1)	$(9.7)		

(1) As of December 31, 2013 and December 31, 2012, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. As of December 31, 2013 and December 31, 2012, we do not have any significant recurring fair value measurements related to derivative instruments using significant unobservable inputs (Level 3).

The table below presents the effect of our derivative financial instruments on our consolidated statements of operations for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,			Consolidated Statements of Operations Location
	2013	2012	2011	
Derivatives in cash flow hedging relationships:				
Interest rate products				
Gain (loss) recognized in Other Comprehensive Income (Loss) on derivatives	$8.2	$(3.8)	$(11.1)	N/A
Loss reclassified from Accumulated Other Comprehensive Income (Loss) into income (effective portion)	9.9	18.8	17.2	Interest expense
Gain (loss) recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)	(3.4)	(1.2)	—	Interest expense

Credit-Risk-Related Contingent Features

We have agreements with some of our derivative counterparties that contain a provision pursuant to which, if our entity that originated such derivative instruments defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our

derivative obligations. As of December 31, 2013, we were not in default on any of our derivative obligations.

We have an agreement with a derivative counterparty that incorporates the loan covenant provisions of our loan agreement with a lender affiliated with the derivative counterparty. Failure to comply with the loan covenant provisions would result in our being in default on any derivative instrument obligations covered by the agreement. As of December 31, 2013, the fair value of derivatives in a net liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was $0.1 million. If we had breached any of the default provisions in these agreements as of December 31, 2013, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of $0.2 million. We had not breached any of these provisions as of December 31, 2013.

7. BENEFIT PLANS

401(k) Plan

We maintain a 401(k) Plan (the “401(k) Plan”) in which substantially all of our employees are eligible to participate. The 401(k) Plan permits eligible participants, as defined in the 401(k) Plan agreement, to defer up to 15% of their compensation, and we, at our discretion, may match a specified percentage of the employees’ contributions. Our and our employees’ contributions are fully vested, as defined in the 401(k) Plan agreement. Our contributions to the 401(k) Plan were $1.0 million for each of the years ended December 31, 2013, 2012 and 2011.

Supplemental Retirement Plans

We maintain Supplemental Retirement Plans (the “Supplemental Plans”) covering certain senior management employees. Expenses under the provisions of the Supplemental Plans were $0.5 million, $0.7 million and $0.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Employee Share Purchase Plan

We maintain a share purchase plan through which our employees may purchase common shares at a 15% discount to the fair market value (as defined therein). In the years ended December 31, 2013, 2012 and 2011, approximately 29,000, 44,000 and 43,000 shares, respectively, were purchased for total consideration of $0.4 million in each year. We recorded expense of $0.1 million, $0.3 million and $0.1 million in the years ended December 31, 2013, 2012 and 2011, respectively, related to the share purchase plan.

Performance Incentive Unit Program

In 2009, we made awards of Performance Incentive Units (“PIUs”) that were subject to market based vesting. The PIUs vested in equal installments over a three year period if specified total return to shareholders goals (as defined in the PIU plan) established at the time of the award were met each year. Payments under the PIU program were made in cash. The amount of the payments varied based upon the total return to our shareholders relative to the total return achieved for the companies in an index of real estate investment trusts, as defined in the PIU plan. We recorded compensation expense for the PIU program pro rata over the vesting period based on estimates of future cash payments under the plan. We issued 221,022 PIUs in 2009 with an initial value of $0.8 million, and recorded compensation expense relating to these awards of $0.1 million and $0.8 million for the years ended December 31, 2011 and 2010, respectively.

When the measurement period for the PIUs issued in 2009 expired on December 31, 2011, our total return to our shareholders relative to the total return achieved by the companies in an index of real estate investment trusts was at the 50th percentile, and in February 2012, an aggregate of $1.1 million was paid to participants in the program in respect of the PIUs issued to participants. After this payment, we had no PIUs outstanding.

8. SHARE BASED COMPENSATION

Share Based Compensation Plans

As of December 31, 2013, we make share based compensation awards using our Second Amended and Restated 2003 Equity Incentive Plan, which is a share based compensation plan that was approved by our shareholders in 2012. Previously, we maintained five other plans pursuant to which we granted equity awards in various forms. Certain restricted shares and certain options granted under these previous plans remain subject to restrictions or remain outstanding and exercisable, respectively. In addition, we previously maintained two plans pursuant to which we granted options to our non-employee trustees.

We recognize expense in connection with share based awards to employees and trustees by valuing all share based awards at their fair value on the date of grant, and then expensing them over the applicable vesting period.

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For the years ended December 31, 2013, 2012 and 2011, we recorded aggregate compensation expense for share based awards of $7.3 million (including $0.7 million of accrued amortization relating to employee separation), $11.1 million (including $2.1 million of accrued amortization relating to employee separation) and $9.1 million, respectively, in connection with the equity incentive programs described below. There was no income tax benefit recognized in the income statement for share based compensation arrangements. For each of the years ended December 31, 2013, 2012 and 2011, we capitalized compensation costs related to share based awards of $0.1 million, respectively.

2003 Equity Incentive Plan

Subject to any future adjustments for share splits and similar events, the total remaining number of common shares that may be issued to employees or trustees under our Second Amended and Restated 2003 Equity Incentive Plan (the “2003 Equity Incentive Plan”) (pursuant to options, restricted shares, shares issuable pursuant to current or future RSU Programs, or otherwise) was 1,775,584 as of December 31, 2013. Other than a portion of the 2012 annual awards to trustees, the share based awards described below in this section were all made under the 2003 Equity Incentive Plan.

Restricted Shares

The aggregate fair value of the restricted shares that we granted to our employees in 2013, 2012 and 2011 was $4.1 million, $6.2 million and $4.7 million, respectively. As of December 31, 2013, there was $4.6 million of total unrecognized compensation cost related to unvested share based compensation arrangements granted under the 2003 Equity Incentive Plan. The cost is expected to be recognized over a weighted average period of 0.8 years. The total fair value of shares vested during the years ended December 31, 2013, 2012 and 2011 was $5.4 million, $7.5 million and $5.6 million, respectively.

A summary of the status of our unvested restricted shares as of December 31, 2013 and changes during the years ended December 31, 2013, 2012 and 2011 is presented below:

	Shares		Weighted Average Grant Date Fair Value
Unvested at January 1, 2011	1,159,749		$11.39
Shares granted	358,234		14.50
Shares vested	(525,202	)	11.20
Shares forfeited	(42,555	)	11.89
Unvested at December 31, 2011	950,226		$12.65
Shares granted	459,526		14.46
Shares vested	(664,574	)	11.50
Shares forfeited	(20,442	)	14.22
Unvested at December 31, 2012	724,736		$14.81
Shares granted	253,920		18.54
Shares vested	(392,917	)	13.74
Shares forfeited	(2,300	)	16.41
Unvested as of December 31, 2013	583,439		$17.15

Restricted Shares Subject to Time Based Vesting

In 2013, 2012 and 2011, we made grants of restricted shares subject to time based vesting. The awarded shares vest over periods of two to three years, typically in equal annual installments, provided the recipient is our employee on the vesting date. For all grantees, the shares generally vest immediately upon death or disability. Recipients are entitled to receive an amount equal to the dividends on the shares prior to vesting. We granted a total of 222,664, 425,462 and 330,610 restricted shares subject to time based vesting to our employees in 2013, 2012 and 2011, respectively. The weighted average grant date fair values of time based restricted shares, which were determined based on the average of the high and low sales price of a common share on the date of grant, was $18.29 per share in 2013, $14.57 per share in 2012 and $14.36 per share in 2011. Compensation cost relating to time based restricted share awards is recorded ratably over the respective vesting periods. We recorded $4.3 million (including $0.5 million of accelerated amortization relating to employee separation), $6.0 million (including $1.0 million of accelerated amortization

relating to employee separation) and $6.1 million of compensation expense related to time based restricted shares for the years ended December 31, 2013, 2012 and 2011, respectively.

We will record future compensation expense in connection with the vesting of existing time based restricted share awards as follows:

(in thousands of dollars) For the Year Ending December 31,	Future Compensation Expense
2014	$3,044
2015	1,336
2016	176
Total	$4,556

On February 26, 2014, the Company granted 224,974 time-based restricted shares to employees with a grant date fair value of $4.3 million that vest over periods of two to three years in annual installments (the future expenses associated with this vesting are not reflected in the table above).

Restricted Share Unit Programs

In 2013, 2012 and 2011, our Board of Trustees established the 2013-2015 RSU Program, the 2012-2014 RSU Program and the 2011-2013 RSU Program, respectively (the “RSU Programs”). Under the RSU Programs, we may make awards in the form of market based performance-contingent restricted share units, or RSUs. The RSUs represent the right to earn common shares in the future depending on our performance in terms of total return to shareholders (as defined in the RSU Programs) for the three year periods ending December 31, 2015, 2014 and 2013 or a shorter period ending upon the date of a change in control of the Company (each, a “Measurement Period”) relative to the total return to shareholders, as defined, for the applicable Measurement Period of companies comprising an index of real estate investment trusts (the “Index REITs”). Dividends are deemed credited to the participants’ RSU accounts and are applied to “acquire” more RSUs for the account of the participants at the 20-day average price per common share ending on the dividend payment date. If earned, awards will be paid in common shares in an amount equal to the applicable percentage of the number of RSUs in the participant’s account at the end of the applicable Measurement Period.

The aggregate fair values of the RSU awards in 2013, 2012 and 2011 were determined using a Monte Carlo simulation probabilistic valuation model and were $2.0 million (a weighted average of $17.40 per share), $4.0 million ($18.41 per share) and $3.5 million ($15.98 per share), respectively.

The table below sets forth the assumptions used in the Monte Carlo simulations used to determine the aggregate fair values of the RSU awards in 2013, 2012 and 2011 by grant date:

	RSUs and assumptions by Grant Date			
	February 27, 2013	April 23, 2012	April 9, 2012	March 10, 2011
RSUs granted	112,898	80,744	134,761	220,766
Volatility	44.7 %	57.2 %	61.5 %	95.3 %
Risk free interest rate	0.36 %	0.39 %	0.46 %	1.13 %
PREIT Stock Beta compared to Dow Jones US Real Estate Index	1.472	1.457	1.495	1.280

Compensation cost relating to the RSU awards is expensed ratably over the applicable three year vesting period. We recorded $2.3 million (including $0.2 million of accelerated amortization relating to employee separation), $4.5 million (including $1.1 million of accelerated amortization relating to employee separation) and $2.7 million of compensation expense related to the RSU Programs for the years ended December 31, 2013, 2012 and 2011, respectively. We will record future compensation expense of $2.5 million related to the existing awards under the RSU Programs.

On February 26, 2014, the Board of Trustees established the 2014-2016 RSU program and the Company granted 127,353 RSUs to employees (the “2014 RSUs”). The 2014 RSUs have a three year measurement period that ends on December 31, 2016 or a shorter period ending upon the date of a change in control of the Company. The aggregate

fair value of the 2014 RSUs will be determined during the first quarter of 2014.

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Service Awards

In 2012 and 2011, we issued 1,875 and 1,950 shares, respectively, without restrictions to non-officer employees as service awards. The aggregate fair values of the awards of $29,000 and $31,000 in the years ended December 31, 2012 and 2011, respectively, were determined based on the average of the high and low share price on the grant date and recorded as compensation expense. Beginning in 2013, we have converted our service awards to a cash based program.

Restricted Shares Awarded to Non-Employee Trustees

As part of the compensation we pay to our non-employee trustees for their service, we grant restricted shares subject to time based vesting. The 2003 Equity Incentive Plan provides for the granting of restricted share awards to our non-employee trustees. The 2008 Restricted Share Plan for Non-Employee Trustees previously provided for the granting of restricted share awards to our non-employee trustees. In 2013 and 2011, all of these annual awards were made under the 2003 Equity Incentive Plan. In 2012, a portion of these annual awards was made under the 2008 Restricted Share Plan for Non-Employee Trustees, and a portion was made under the 2003 Equity Incentive Plan. The aggregate fair value of the restricted shares that we granted under both plans to our non-employee trustees in 2013, 2012 and 2011 was $0.6 million, $0.4 million and $0.4 million, respectively. We recorded $0.8 million, $0.5 million and $0.3 million of compensation expense related to time based vesting of non-employee trustee restricted share awards in 2013, 2012 and 2011, respectively. As of December 31, 2013, there was $0.5 million of total unrecognized compensation expense related to unvested restricted share grants to non-employee trustees. Compensation expense will be recognized over a weighted average period of 0.3 years. The total fair value of shares granted to non-employee trustees that vested was $0.5 million, $0.1 million, and $0.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. We will record future compensation expense in connection with the vesting of existing non-employee trustee restricted share awards as follows:

(in thousands of dollars) For the Year Ending December 31,	Future Compensation Expense
2014	$477
2015	55
Total	$532

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Options Outstanding

Options, when granted, are typically granted with an exercise price equal to the fair market value of the underlying shares on the date of the grant. The options vest and are exercisable over periods determined by us, but in no event later than ten years from the grant date. We have six plans under which we have historically granted options. We have not granted any options to our employees since 2003, and, since that date, have only made option grants to non-employee trustees on the date they became trustees in accordance with past practice. In each of 2013 and 2012, 5,000 options were granted to a non-employee trustee. No options were granted to non-employee trustees in 2011. In 2013, the Board of Trustees determined that it would no longer grant options to new non-employee trustees. In 2012, 5,000 options were exercised. The following table presents the changes in the number of options outstanding from January 1, 2011 through December 31, 2013:

	Weighted Average Exercise Price/ Total	2003 Equity Incentive Plan	1990 Non-Employee Trustee Plan
Options outstanding at January 1, 2011	44,793	17,293	27,500
Options forfeited	$21.19	(1,361)	(12,500)
Options outstanding at December 31, 2011	30,932	15,932	15,000
Options forfeited	$22.55	(932)	—
Options granted	$12.87	5,000	—
Options exercised	$5.41	(5,000)	—
Options outstanding at December 31, 2012	30,000	15,000	15,000
Options forfeited	$32.89	—	(15,000)
Options granted	$20.40	5,000	—
Options outstanding at December 31, 2013[(1)]	20,000	20,000	—
Outstanding exercisable and unexercisable options			
Average exercise price per share	$26.45	$26.45	$—
Aggregate exercise price[(2)]	$529	$529	$—
Intrinsic value of options outstanding[(2)]	$31	$31	$—
Outstanding exercisable options at December 31, 2013			
Options	11,250	11,250	—
Average exercise price per share	$33.67	$33.67	$—
Aggregate exercise price[(2)]	$379	$379	$—
Intrinsic value of options outstanding[(2)]	$8	$8	$—

(1) The weighted average remaining contractual life of these outstanding options is 8.94 years (weighted average exercise price of $26.45 per share and an aggregate exercise price of $0.5 million).

(2) Amounts in thousands of dollars.

The following table summarizes information relating to all options outstanding as of December 31, 2013:

	Options Outstanding as of December 31, 2013		Options Exercisable as of December 31, 2013		
Range of Exercise Prices (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Life (Years)
$12.87-$18.99	5,000	$ 12.87	1,250	$ 12.87	8.3

$19.00-$28.99	5,000	$ 20.40	—	$ —	9.3
$29.00-$38.00	10,000	$ 36.28	10,000	$ 36.28	1.3

9. LEASES
As Lessor
Our retail properties are leased to tenants under operating leases with various expiration dates ranging through 2095. Future minimum rent under noncancelable operating leases with terms greater than one year is as follows:

(in thousands of dollars)	
For the Year Ending December 31,	
2014	$244,365
2015	213,196
2016	177,891
2017	147,707
2018	121,925
2019 and thereafter	375,992
	$1,281,076

The total future minimum rent as presented does not include amounts that may be received as tenant reimbursements for certain operating costs or contingent amounts that may be received as percentage rent.
As Lessee
We have operating leases for our corporate office space (see note 10) and for various computer, office and mall equipment. Furthermore, we are the lessee under third-party ground leases for portions of the land at five of our properties (Crossroads Mall, Exton Square Mall, The Gallery at Market East, Plymouth Meeting Mall and Uniontown Mall). Total amounts expensed relating to such leases were $2.5 million, $3.2 million and $4.2 million for the years ended December 31, 2013, 2012 and 2011, respectively. We account for ground rent and capital lease expense on a straight line basis. Minimum future lease payments due in each of the next five years and thereafter are as follows:

(in thousands of dollars)		
For the Year Ending December 31,	Operating Leases	Ground Leases
2014	$2,111	$558
2015	1,929	558
2016	1,691	552
2017	1,514	543
2018	1,403	527
2019 and thereafter	1,152	39,086
	$9,800	$41,824

10. RELATED PARTY TRANSACTIONS
General
We provide management, leasing and development services for eight properties owned by partnerships and other entities in which certain of our officers or trustees or members of their immediate families and affiliated entities have indirect ownership interests. Total revenue earned by PRI for such services was $1.0 million, $1.0 million and $1.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Office Lease
We lease our principal executive offices from Bellevue Associates (the "Landlord"), an entity in which certain of our officers/trustees have an interest. Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, own approximately a 50% interest in the Landlord. Total rent expense under this lease was $1.4 million, $1.5 million and $1.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.
In April 2012, we entered into an amendment to our office lease with the Landlord, effective June 1, 2012. Under this amendment, the term was extended for five years to October 31, 2019, and we have the option to renew the amended

office

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lease for up to two additional periods for an aggregate of 10 years, at the then-current market base rental rate calculated in accordance with the terms of the amended office lease. The first extension period shall be no less than three and no more than seven years, at our discretion, and the second must be for 10 years less the number of years of the first extension. The base rent under the amended lease is approximately $1.2 million per year, increasing incrementally to approximately $1.4 million in 2019.

In accordance with PREIT’s related party transactions policy, PREIT’s Special Committee considered and approved the terms of the transaction.

11. COMMITMENTS AND CONTINGENCIES

Contractual Obligations

As of December 31, 2013, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of $1.7 million in the form of tenant allowances and contracts with general service providers and other professional service providers.

Employment Agreements

As of December 31, 2013, five officers of the Company had employment agreements with current terms that range from one year to three years and that renew automatically for additional one-year terms. These employment agreements provided for aggregate base compensation for the year ended December 31, 2013 of $2.1 million, subject to increases as approved by the Executive Compensation and Human Resources Committee of our Board of Trustees in future years, as well as additional incentive compensation.

In April 2012, we entered into amended employment agreements with Joseph F. Coradino and Ronald Rubin that became effective on June 7, 2012, the date that Mr. Coradino became our Chief Executive Officer and Mr. Rubin became our Executive Chairman.

Mr. Coradino’s employment agreement has an initial term of two years, after which it will renew annually for one-year terms unless either party gives notice of non-renewal at least 120 days prior to the end of the then current term.

Mr. Rubin’s employment agreement will have an initial term of three years, after which it will renew annually for one-year terms unless either party gives notice of non-renewal at least 120 days prior to the end of the then current term.

Provision for Employee Separation Expense

Ronald Rubin, Executive Chairman

In connection with the terms of the amended employment agreement with Ronald Rubin, our Executive Chairman, we recorded a total provision for employee separation expense of $4.5 million. We recorded employee separation expense of $2.6 million through December 31, 2012 and $1.9 million through June 30, 2013.

In February 2013, under our Second Amended and Restated 2003 Equity Incentive Plan, Mr. Rubin received 16,000 restricted shares that had a fair value of $0.3 million based on the grant date fair value of $18.28 per share and a vesting period through December 31, 2013. This award was amortized through June 7, 2013, the date on which Mr. Rubin became eligible to voluntarily terminate his employment agreement and receive his founder’s retirement payment of $3.5 million, at which time such restricted shares would vest.

Edward A. Glickman, former President and Chief Operating Officer

In connection with the appointment of Joseph F. Coradino as Chief Executive Officer in June 2012, conditions in our former President and Chief Operating Officer Edward A. Glickman's employment agreement were triggered that caused us to record a provision for employee separation expense of $4.1 million in 2012.

Mr. Glickman left his position as the Company’s President and Chief Operating Officer effective August 31, 2012. Under the Company’s employment agreement with Mr. Glickman, in connection with his departure, he was entitled (i) to receive a cash payment of approximately $2.7 million, (ii) to receive additional amounts accrued under his supplemental retirement plan, (iii) to have his outstanding unvested restricted shares become vested, and (iv) to remain eligible to receive shares under the Company’s Restricted Share Unit programs based on the Company’s achievement of the performance metrics established by those programs as if his employment had not terminated.

In October 2012, Mr. Glickman resigned from his position as a trustee of the Company. To formally recognize and memorialize the terms of his departure from the Company as both a trustee and as an officer, the Company and Mr. Glickman entered into a

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separation agreement which included a mutual standard general release of all claims. Under the separation agreement, Mr. Glickman was entitled to a total cash separation payment of $2.8 million (including the above-described $2.7 million to which he would have been entitled under his employment agreement).

Other

In 2012, we terminated the employment of certain employees. In connection with the departure of those employees, we recorded $2.7 million of employee separation expense.

Legal Actions

In the normal course of business, we have and might become involved in legal actions relating to the ownership and operation of our properties and the properties we manage for third parties. In management's opinion, the resolutions of any such pending legal actions are not expected to have a material adverse effect on our consolidated financial position or results of operations.

Environmental

We are aware of certain environmental matters at some of our properties. We have, in the past, performed remediation of such environmental matters, and are not aware of any significant remaining potential liability relating to these environmental matters. We might be required in the future to perform testing relating to these matters. We do not expect these matters to have any significant impact on our liquidity or results of operations. However, we can provide no assurance that the amounts reserved will be adequate to cover further environmental costs. We have insurance coverage for certain environmental claims up to $10.0 million per occurrence and up to $20.0 million in the aggregate.

Tax Protection Agreements

On January 22, 2008, PREIT, PREIT Associates, L.P., and another subsidiary of PREIT entered into a Contribution Agreement with Bala Cynwyd Associates, L.P., City Line Associates, Ronald Rubin, George Rubin, Joseph Coradino and two other individuals regarding the acquisition of an office building located within the boundaries of PREIT's Cherry Hill Mall. In connection with that agreement, PREIT and PREIT Associates agreed to provide tax protection to Ronald Rubin, George Rubin, Joseph Coradino and one other individual resulting from the sale of the office building during the eight years following the initial closing.

We did not enter into any guarantees or tax protection agreements in connection with our merger, acquisition or disposition activities in 2013, 2012 or 2011.

12. HISTORIC TAX CREDITS

Phase I

In the third quarter of 2009, we closed a transaction with a counterparty (the "Phase I Counterparty") related to the historic rehabilitation of an office building located at 801 Market Street in Philadelphia, Pennsylvania (the "Phase I Project"). The Phase I Counterparty contributed a total of $10.6 million of equity to the Phase I Project and we recorded this contribution in "Noncontrolling interest." In exchange for its contributions into the Phase I Project, the Phase I Counterparty received substantially all of the historic rehabilitation tax credits associated with the Phase I Project as a distribution. The Phase I Counterparty does not have a material interest in the underlying economics of the Phase I Project. The transaction also includes a put/call option whereby we might be obligated or entitled to repurchase the Phase I Counterparty's ownership interest in the Phase I Project at a stated value of $1.6 million. We believe that the put option will be exercised by the Phase I Counterparty, and an amount attributed to that option is included in the recorded balance of "Noncontrolling interest."

Based on the contractual arrangements that obligate us to deliver tax credits and provide other guarantees to the Phase I Counterparty and that entitle us, through fee arrangements, to receive substantially all available cash flow from the Phase I Project, we concluded that the Phase I Project should be consolidated. We also concluded that capital contributions received from the Phase I Counterparty are, in substance, consideration that we received in exchange for the put option and our obligation to deliver tax credits to the Phase I Counterparty. The Phase I Counterparty's contributions, other than the amounts allocated to the put option, are classified as "Noncontrolling interest" and recognized as "Other income" in the consolidated financial statements as our obligation to deliver tax credits is relieved.

The tax credits are subject to a five year credit recapture period, as defined in the Internal Revenue Code of 1986, as amended, beginning one year after the completion of the Phase I Project, which was completed in the third quarter of 2009. Our obligation to the Phase I Counterparty with respect to the tax credits is ratably relieved annually in the third quarter of each

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year, upon the expiration of each portion of the recapture period and the satisfaction of other revenue criteria. In the third quarters of 2010, 2011, 2012 and 2013, the first, second, third and fourth recapture periods expired and we recognized $1.7 million, $1.9 million, $1.8 million and $1.8 million, respectively, of the contribution received from the Phase I Counterparty as “Other income” in the consolidated statements of operations.

Phase II

In the second quarter of 2012, we closed a transaction with a Phase II Counterparty (the “Phase II Counterparty”) related to the historic rehabilitation of an office building located at 801 Market Street in Philadelphia, Pennsylvania (the “Phase II Project”). The Phase II Counterparty contributed a total of $5.5 million of equity to the Phase II Project and we recorded this contribution in “Accrued expenses and other liabilities” as of December 31, 2013. In exchange for its contributions into the Phase II Project, the Phase II Counterparty received substantially all of the historic rehabilitation tax credits associated with the Phase II Project as a distribution. The Phase II Counterparty does not have a material interest in the underlying economics of the Phase II Project. The transaction also includes a put/call option whereby we might be obligated or entitled to repurchase the Phase II Counterparty’s ownership interest in the Phase II Project at a stated value of $0.6 million. We believe that the put option will be exercised by the Phase II Counterparty, and an amount attributed to that option is included in the recorded balance of “Accrued expenses and other liabilities.”

Based on the contractual arrangements that obligate us to deliver tax credits and provide other guarantees to the Phase II Counterparty and that entitle us, through fee arrangements, to receive substantially all available cash flow from the Phase II Project, we concluded that the Phase II Project should be consolidated. We also concluded that capital contributions received from the Phase II Counterparty are, in substance, consideration that we received in exchange for the put option and our obligation to deliver tax credits to the Phase II Counterparty. The Phase II Counterparty’s contributions, other than the amounts allocated to the put option, are classified as “Accrued expenses and other liabilities” and recognized as “Other income” in the consolidated financial statements as our obligation to deliver tax credits is relieved.

The tax credits are subject to a five year credit recapture period, as defined in the Internal Revenue Code of 1986, as amended, beginning one year after the completion of the Phase II Project, which was completed in the second quarter of 2012. Our obligation to the Phase II Counterparty with respect to the tax credits is ratably relieved annually in the third quarter of each year, upon the expiration of each portion of the recapture period and the satisfaction of other revenue recognition criteria. In the third quarter of 2013, the first recapture period expired and we recognized $0.7 million of the contribution received from the Phase II Counterparty as “Other income” in the consolidated statements of operations.

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following presents a summary of the unaudited quarterly financial information for the years ended December 31, 2013 and 2012:

(in thousands of dollars, except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter[1]	Total
For the Year Ended December 31, 2013					
Revenue from continuing operations	$104,065	$104,943	$110,274	$119,396	$438,678
Revenue from discontinued operations	4,143	2,746	2,491	634	10,014
Income (loss) from discontinued operations[2]	34,276	1,000	21,978	408	57,662
Net income (loss)[3]	25,807	(9,009)	12,584	7,831	37,213
Net income (loss) attributable to PREIT[3]	24,802	(8,695)	12,202	7,550	35,859
Income from discontinued operations per share – basic and diluted	0.59	0.02	0.32	0.01	0.87
Net income (loss) per share – basic and diluted	0.37	(0.20)	0.12	0.05	0.31

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(in thousands of dollars, except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter[1]	Total
For the Year Ended December 31, 2012					
Revenue from continuing operations	$100,835	$100,576	$104,194	$113,742	$419,347
Revenue from discontinued operations	8,277	8,033	8,174	8,562	33,046
Income (loss) from discontinued operations[2]	1,259	912	1,344	(1,746)	1,769
Net loss[2][3]	(10,416)	(12,401)	(12,861)	(6,872)	(42,550)
Net loss attributable to PREIT[3]	(9,997)	(11,888)	(12,353)	(6,599)	(40,837)
Income (loss) from discontinued operations per share – basic and diluted	0.02	0.02	0.02	(0.03)	0.03
Net loss per share – basic and diluted	(0.18)	(0.25)	(0.27)	(0.19)	(0.89)

(1) Fourth Quarter revenue includes a significant portion of annual percentage rent as most percentage rent minimum sales levels are met in the fourth quarter.

(2) Includes impairments losses on discontinued operations of $23.7 million (3rd Quarter 2013) and $3.8 million (4th Quarter 2012).

(3) Includes gains on sales of discontinued operations (before non controlling interest) of $33.4 million (1st Quarter 2013), $45.1 million (3rd Quarter 2013) and $0.9 million (4th Quarter 2012).

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SCHEDULE III
PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
INVESTMENTS IN REAL ESTATE
As of December 31, 2013

(in thousands of dollars)	Initial Cost of Land	Initial Cost of Building & Improvements	Cost of Improvements Net of Retirements and Impairment Changes	Balance of Land and Land Held for Development	Balance of Building & Improvements and Construction in Progress	Accumulated Depreciation Balance	Current Encumbrance	Date of Acquisition/ Construction	Life of Depre- ciation
Operating Properties:									
Beaver Valley Mall	$10,822	$42,877	$18,434	$10,550	$61,583	$(27,238)	$—	2002	30
Capital City Mall	11,642	65,575	21,087	11,642	86,662	(30,772)	64,137	2003	40
Cherry Hill Mall	29,938	185,611	245,577	48,608	412,518	(139,719)	300,000	2003	40
Plaza at Magnolia	1,132	3,407	(2,651)	971	917	(189)	—	2004	20
Crossroads Mall	5,054	22,496	20,300	5,627	42,223	(12,959)	—	2003	40
Cumberland Mall	8,711	43,889	13,946	9,842	56,704	(15,102)	50,381	2005	40
Dartmouth Mall	7,015	28,328	28,499	7,015	56,827	(30,532)	66,152	1998	40
Exton Square Mall	21,460	121,326	13,140	22,156	133,770	(37,154)	—	2003	40
Francis Scott Key Mall	9,786	47,526	24,538	9,987	71,863	(25,159)	62,625	2003	40
Gadsden Mall	8,842	42,681	11,842	8,617	54,748	(14,276)	—	2005	40
The Gallery at Market East(1)	6,781	95,599	150,214	24,335	228,259	(46,201)	26,190	2003	40
Jacksonville Mall	9,974	47,802	24,319	9,974	72,121	(24,214)	—	2003	40
Logan Valley Mall	13,267	68,449	16,296	13,267	84,745	(29,457)	51,000	2003	40
Lycoming Mall	10,274	43,440	26,332	10,793	69,253	(23,792)	34,857	2003	40
Magnolia Mall	9,279	44,165	36,334	15,204	74,574	(33,627)	57,043	1998	40
Monroe Marketplace	4,850	—	(1,454)	3,130	266	(34)	—	2006	N/A
Moorestown Mall	11,368	62,995	43,736	11,368	106,731	(33,447)	—	2003	40
	4,751	22,808	31,610	4,786	54,383	(24,375)	28,050	2003	40

New River Valley Mall									
Nittany Mall	6,064	30,283	8,107	5,146	39,308	(12,960)	—	2003	40
North Hanover Mall	4,565	20,990	(2,703)	1,605	21,247	(6,747)	—	2003	20
Palmer Park Mall	3,747	18,805	12,315	3,747	31,120	(14,320)	—	2003	40
Patrick Henry Mall	16,075	86,643	41,613	16,397	127,934	(47,753)	87,288	2003	40
Pitney Road Plaza land	905	—	(529)	301	75	—	—	2006	N/A
Plymouth Meeting Mall	29,265	58,388	85,471	29,947	143,177	(46,951)	—	2003	40
The Mall at Prince Georges	13,065	57,686	32,711	13,066	90,396	(42,357)	150,000	1998	40
South Mall[2]	7,369	20,720	8,016	7,990	28,115	(8,710)	—	2003	40
Sunrise Plaza land	1,739	—	(902)	837	—	—	—	2005	N/A
Swedes Square land	189	—	13	202	—	—	—	2004	N/A
Uniontown Mall	—	30,761	12,276	—	43,037	(14,285)	—	2003	40
Valley Mall	13,187	60,658	24,452	13,187	85,110	(28,898)	82,503	2003	40
Valley View Mall	9,880	46,817	13,228	9,936	59,989	(18,212)	30,617	2003	40
Viewmont Mall	12,505	61,519	18,862	12,606	80,280	(26,362)	48,000	2003	40
Voorhees Town Center	2,506	7,807	69,877	4,256	75,934	(22,989)	—	2003	40
Washington Crown Center	5,460	27,136	11,380	5,580	38,396	(15,369)	—	2003	40
Willow Grove Park	26,748	131,189	74,162	36,188	195,911	(65,183)	139,397	2003	40
Wiregrass Commons	5,103	28,758	21,024	7,923	46,962	(14,744)	—	2003	40
Woodland Mall	35,540	124,504	31,737	17,577	174,204	(44,730)	146,410	2005	40
Wyoming Valley Mall	14,153	73,035	22,960	13,302	96,846	(33,929)	78,000	2003	40
Development Properties:									
White Clay Point land	31,000	11,803	(8,017)	31,423	3,363	—	—	2005	N/A
Springhills land	21,555	9,827	(12,153)	19,022	207	—	—	2006	N/A
Investment In Real	$445,566	$1,896,303	$1,185,999	$478,110	$3,049,758	$(1,012,746)	$1,502,650		

Estate
[1] The balances for The Gallery at Market East also include the offices located at 801 Market Street and 907 Market Street.
[2] The balances for South Mall include those of the Westgate Anchor Pad.

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The aggregate cost basis and depreciated basis for federal income tax purposes of our investment in real estate was $3,710.1 million and $2,692.9 million, respectively, at December 31, 2013 and $3,979.2 million and $2,908.5 million, respectively, at December 31, 2012. The changes in total real estate and accumulated depreciation for the years ended December 31, 2013, 2012 and 2011 are as follows:

(in thousands of dollars)	For the Year Ended December 31,		
Total Real Estate Assets:	2013	2012	2011
Balance, beginning of year	$3,477,540	$3,576,997	$3,587,468
Improvements and development	79,345	77,040	60,633
Acquisitions	59,078	—	—
Impairment of assets	(37,708)	(3,805)	(63,909)
Dispositions	(45,047)	(89)	(6,876)
Write-off of fully depreciated assets	(5,340)	(13,216)	(319)
Reclassification to held for sale	—	(159,387)	—
Balance, end of year	$3,527,868	$3,477,540	$3,576,997
Balance, end of year – held for sale	$—	$159,387	$—
(in thousands of dollars)	For the Year Ended December 31,		
Accumulated Depreciation:	2013	2012	2011
Balance, beginning of year	$907,928	$844,010	$729,086
Depreciation expense	132,114	127,591	127,728
Impairment of assets	(7,742)	—	(11,573)
Dispositions	(14,214)	—	(912)
Write-off of fully depreciated assets	(5,340)	(13,216)	(319)
Reclassification to held for sale	—	(50,457)	—
Balance, end of year	$1,012,746	$907,928	$844,010
Balance, end of year – held for sale	$—	$50,457	$—

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Exhibit Index

Exhibit Number	Description
10.6	First Amendment to Credit Agreement dated December 24, 2013 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto.
10.7	Five Year Term Loan Agreement dated as of January 8, 2014 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto.
10.8	Five Year Term Loan Guaranty dated as of January 8, 2014 in favor of Wells Fargo Bank, National Association, executed by certain direct and indirect subsidiaries of PREIT Associates, L.P.
10.9	Seven Year Term Loan Agreement dated as of January 8, 2014 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto.
10.10	Seven Year Term Loan Guaranty dated as of January 8, 2014 in favor of Wells Fargo Bank, National Association, executed by certain direct and indirect subsidiaries of PREIT Associates, L.P.
21	Direct and Indirect Subsidiaries of the Registrant.
23.1	Consent of KPMG LLP (Independent Registered Public Accounting Firm).
24	Power of Attorney (included on signature page to this Form 10-K).
31.1	Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2013 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets as of December 31, 2013 and 2012; (ii) Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011; (iv) Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011; and (vi) Notes to Consolidated Financial Statements.