

CBL & ASSOCIATES PROPERTIES INC

Form 10-Q

November 10, 2014

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UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

Or

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-12494 (CBL & ASSOCIATES PROPERTIES, INC.)

COMMISSION FILE NO. 333-182515-01 (CBL & ASSOCIATES LIMITED PARTNERSHIP)

CBL & ASSOCIATES PROPERTIES, INC.

CBL & ASSOCIATES LIMITED PARTNERSHIP

(Exact Name of registrant as specified in its charter)

DELAWARE (CBL & ASSOCIATES PROPERTIES, INC.)

62-1545718

DELAWARE (CBL & ASSOCIATES LIMITED

62-1542285

PARTNERSHIP)

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000

(Address of principal executive office, including zip code)

423.855.0001

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CBL & Associates Properties, Inc.

Yes

No

CBL & Associates Limited Partnership

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CBL & Associates Properties, Inc.

Yes

No

CBL & Associates Limited Partnership

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

CBL & Associates Properties, Inc.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
CBL & Associates Limited Partnership

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CBL & Associates Properties, Inc. Yes No

CBL & Associates Limited Partnership Yes No

As of November 5, 2014, there were 170,262,878 shares of CBL & Associates Properties, Inc.'s common stock, par value \$0.01 per share, outstanding.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2014 of CBL & Associates Properties, Inc. and CBL & Associates Limited Partnership. Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company is a real estate investment trust ("REIT") whose stock is traded on the New York Stock Exchange. The Company is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At September 30, 2014, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.3% limited partner interest for a combined interest held by the Company of 85.3%.

As the sole general partner of the Operating Partnership, the Company's subsidiary, CBL Holdings I, Inc., has exclusive control of the Operating Partnership's activities. Management operates the Company and the Operating Partnership as one business. The management of the Company consists of the same individuals that manage the Operating Partnership. The Company's only material asset is its indirect ownership of partnership interests of the Operating Partnership. As a result, the Company conducts substantially all its business through the Operating Partnership as described in the preceding paragraph. The Company also issues public equity from time to time and guarantees certain debt of the Operating Partnership. The Operating Partnership holds all of the assets and indebtedness of the Company and, through affiliates, retains the ownership interests in the Company's joint ventures. Except for the net proceeds of offerings of equity by the Company, which are contributed to the Operating Partnership in exchange for partnership units on a one-for-one basis, the Operating Partnership generates all remaining capital required by the Company's business through its operations and its incurrence of indebtedness.

We believe that combining the two quarterly reports on Form 10-Q for the Company and the Operating Partnership provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;

- eliminates duplicative disclosure and provides a more streamlined and readable presentation, since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate condensed consolidated financial statements for the Company and the Operating Partnership. Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the condensed consolidated financial statements of the Company and those of the Operating Partnership. A single set of notes to condensed consolidated financial statements is presented that includes separate discussions for the Company and the Operating Partnership, when applicable. A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents combined information and discrete information related to each entity, as applicable.

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In order to highlight the differences between the Company and the Operating Partnership, this report includes the following sections that provide separate financial information for the Company and the Operating Partnership:

- condensed consolidated financial statements;

certain accompanying notes to condensed consolidated financial statements, including Note 5 - Unconsolidated Affiliates, Redeemable Interests, Noncontrolling Interests and Cost Method Investments; Note 6 - Mortgage and Other Indebtedness; Note 7 - Comprehensive Income; and Note 11 - Earnings Per Share and Earnings Per Unit;

controls and procedures in Item 4 of Part I of this report; and

certifications of the Chief Executive Officer and Chief Financial Officer included as Exhibits 31.1 through 32.4.

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PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements

CBL & Associates Properties, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

ASSETS	September 30, 2014	December 31, 2013
Real estate assets:		
Land	\$848,596	\$858,619
Buildings and improvements	7,138,545	7,125,512
	7,987,141	7,984,131
Accumulated depreciation	(2,183,912)	(2,056,357)
	5,803,229	5,927,774
Developments in progress	151,670	139,383
Net investment in real estate assets	5,954,899	6,067,157
Cash and cash equivalents	45,071	65,500
Receivables:		
Tenant, net of allowance for doubtful accounts of \$2,412 and \$2,379 in 2014 and 2013, respectively	79,960	79,899
Other, net of allowance for doubtful accounts of \$1,158 and \$1,241 in 2014 and 2013, respectively	24,412	23,343
Mortgage and other notes receivable	19,513	30,424
Investments in unconsolidated affiliates	269,964	277,146
Intangible lease assets and other assets	238,892	242,502
	\$6,632,711	\$6,785,971
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness	\$4,711,421	\$4,857,523
Accounts payable and accrued liabilities	347,382	333,875
Total liabilities	5,058,803	5,191,398
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	34,843	34,639
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
7.375% Series D Cumulative Redeemable Preferred Stock, 1,815,000 shares outstanding	18	18
6.625% Series E Cumulative Redeemable Preferred Stock, 690,000 shares outstanding	7	7
Common stock, \$.01 par value, 350,000,000 shares authorized, 170,260,669 and 170,048,144 issued and outstanding in 2014 and 2013, respectively	1,703	1,700
Additional paid-in capital	1,962,187	1,967,644
Accumulated other comprehensive income	12,805	6,325
Dividends in excess of cumulative earnings	(587,000)	(570,781)
Total shareholders' equity	1,389,720	1,404,913
Noncontrolling interests	149,345	155,021

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Total equity	1,539,065	1,559,934
	\$6,632,711	\$6,785,971

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

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES:				
Minimum rents	\$ 169,097	\$ 167,703	\$ 506,005	\$ 498,632
Percentage rents	3,060	2,797	8,490	9,847
Other rents	3,813	3,837	13,708	13,503
Tenant reimbursements	71,330	70,576	214,322	213,524
Management, development and leasing fees	3,228	3,118	9,176	9,042
Other	8,186	9,518	25,189	27,067
Total revenues	258,714	257,549	776,890	771,615
OPERATING EXPENSES:				
Property operating	36,668	38,375	112,206	111,170
Depreciation and amortization	72,488	68,941	212,180	206,115
Real estate taxes	22,202	22,607	65,638	66,411
Maintenance and repairs	12,603	13,387	41,391	40,808
General and administrative	9,474	10,160	35,583	36,459
Loss on impairment	497	—	17,753	21,038
Other	7,396	6,371	21,331	21,217
Total operating expenses	161,328	159,841	506,082	503,218
Income from operations	97,386	97,708	270,808	268,397
Interest and other income	463	8,809	3,535	10,197
Interest expense	(60,214)	(56,341)	(179,997)	(173,374)
Gain (loss) on extinguishment of debt	18,282	—	60,942	(9,108)
Gain on investment	—	—	—	2,400
Equity in earnings of unconsolidated affiliates	3,936	2,270	11,038	7,618
Income tax provision	(3,083)	(271)	(4,266)	(854)
Income from continuing operations before gain on sales of real estate assets	56,770	52,175	162,060	105,276
Gain on sales of real estate assets	434	58	3,513	1,058
Income from continuing operations	57,204	52,233	165,573	106,334
Operating income (loss) of discontinued operations	78	(8,346)	(480)	(5,195)
Gain on discontinued operations	(2)	290	88	1,162
Net income	57,280	44,177	165,181	102,301
Net income attributable to noncontrolling interests in:				
Operating Partnership	(6,576)	(4,075)	(18,847)	(7,602)
Other consolidated subsidiaries	(1,362)	(5,778)	(3,740)	(18,338)
Net income attributable to the Company	49,342	34,324	142,594	76,361
Preferred dividends	(11,223)	(11,223)	(33,669)	(33,669)
Net income attributable to common shareholders	\$ 38,119	\$ 23,101	\$ 108,925	\$ 42,692

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CBL & Associates Properties, Inc.
 Condensed Consolidated Statements of Operations
 (In thousands, except per share data)
 (Unaudited)
 (Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Basic and diluted per share data attributable to common shareholders:					
Income from continuing operations, net of preferred dividends	\$0.22	\$0.18	\$0.64	\$0.28	
Discontinued operations	0.00	(0.04) 0.00	(0.02)
Net income attributable to common shareholders	\$0.22	\$0.14	\$0.64	\$0.26	
Weighted-average common and potential dilutive common shares outstanding	170,262	169,906	170,242	166,048	
Amounts attributable to common shareholders:					
Income from continuing operations, net of preferred dividends	\$38,054	\$29,965	\$109,259	\$46,116	
Discontinued operations	65	(6,864) (334) (3,424)
Net income attributable to common shareholders	\$38,119	\$23,101	\$108,925	\$42,692	
Dividends declared per common share	\$0.245	\$0.230	\$0.735	\$0.690	

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

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CBL & Associates Properties, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (In thousands)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$57,280	\$44,177	\$165,181	\$102,301
Other comprehensive income (loss):				
Unrealized holding gain (loss) on available-for-sale securities	4,044	(1,749)	6,240	(2,000)
Unrealized gain (loss) on hedging instruments	1,148	(451)	3,021	(289)
Reclassification of hedging effect on earnings	(551)	568)	(1,650)	1,687)
Total other comprehensive income (loss)	4,641	(1,632)	7,611	(602)
Comprehensive income	61,921	42,545	172,792	101,699
Comprehensive income attributable to noncontrolling interests in:				
Operating Partnership	(8,071)	(3,831)	(19,978)	(7,520)
Other consolidated subsidiaries	(1,362)	(5,778)	(3,740)	(18,338)
Comprehensive income attributable to the Company	\$52,488	\$32,936	\$149,074	\$75,841

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

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CBL & Associates Properties, Inc.
Condensed Consolidated Statements of Equity
(In thousands, except share data)
(Unaudited)

	Equity Shareholders' Equity									
	Redeemable Noncontrolling Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	
Balance, January 1, 2013	\$ 40,248	\$ 25	\$ 1,613	\$ 1,773,630	\$ 6,986	\$(453,561)	\$ 1,328,693	\$ 192,404	\$ 1,521,097	
Net income	3,182	—	—	—	—	76,361	76,361	8,114	84,475	
Other comprehensive loss	(4)	—	—	—	(520)	—	(520)	(78)	(598)	
Redemption of redeemable noncontrolling preferred joint venture interest	—	—	—	10,000	—	—	10,000	—	10,000	
Dividends declared - common stock	—	—	—	—	—	(115,870)	(115,870)	—	(115,870)	
Dividends declared - preferred stock	—	—	—	—	—	(33,669)	(33,669)	—	(33,669)	
Issuances of 8,635,715 shares of common stock and restricted common stock	—	—	86	209,445	—	—	209,531	—	209,531	
Cancellation of 39,475 shares of restricted common stock	—	—	—	(711)	—	—	(711)	—	(711)	
Amortization of deferred compensation	—	—	—	2,287	—	—	2,287	—	2,287	
Distributions to noncontrolling interests	(4,980)	—	—	—	—	—	—	(22,889)	(22,889)	
Adjustment for noncontrolling	3,803	—	—	(32,135)	—	—	(32,135)	28,388		Sale 06

interests

Sale	06/19/12	800
Sale	06/20/12	1,000
Sale	06/20/12	500
Sale	06/22/12	1,500
Sale	06/25/12	500
Sale	06/26/12	1,000
Sale	06/26/12	500
Sale	06/29/12	600
Sale	06/29/12	500
Sale	07/02/12	800
Sale	07/02/12	800
Sale	07/02/12	1,000
Sale	07/03/12	500

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Sale	07/05/12	500
Sale	07/05/12	3,000
Sale	07/05/12	1,000
Sale	07/05/12	500
Sale	07/06/12	4,000
Sale	07/09/12	500
Sale	07/09/12	500
Sale	07/09/12	500
Sale	07/09/12	1,000
Sale	07/13/12	500
Sale	07/13/12	500
Sale	07/13/12	1,200
Sale	07/13/12	500
Sale	07/16/12	500
Sale	07/18/12	1,000
Sale	07/24/12	2,000
Sale	07/27/12	500
Sale	08/06/12	500
Sale	08/10/12	2,000
Sale	08/16/12	3,000
Sale	08/17/12	1,000
Purchase	08/20/12	2,500
Sale	08/22/12	500
Sale	08/28/12	1,000
Sale	08/29/12	1,200
Sale	08/29/12	2,000
Purchase	09/04/12	3,000
Sale	09/05/12	300
Purchase	09/05/12	2,000
Purchase	09/05/12	3,000
Sale	09/07/12	2,000
Sale	09/10/12	1,000
Sale	09/11/12	1,000
Sale	09/14/12	500
Sale	09/21/12	67
Sale	09/25/12	500
Sale	09/26/12	2,000
Sale	10/12/12	2,000
Sale	10/12/12	500
Sale	10/15/12	3,000
Purchase	10/19/12	3,000
Purchase	10/23/12	1,500
Purchase	10/26/12	3,000
Purchase	10/26/12	1,000
Purchase	10/31/12	5,206
Purchase	11/01/12	3,000
Purchase	11/02/12	600
Sale	11/02/12	1,000
Purchase	11/06/12	5,600

Purchase

11/06/12

4,400

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Purchase	11/07/12	6,194
Purchase	11/08/12	4,000
Purchase	11/09/12	1,000
Purchase	11/12/12	5,000
Sale	11/19/12	2,000
Purchase	11/20/12	3,000
Purchase	11/20/12	500
Purchase	11/21/12	6,000
Purchase	11/21/12	1,100
Sale	11/26/12	400
Purchase	11/26/12	9,000
Sale	11/28/12	2,000
Purchase	11/28/12	2,500
Purchase	11/28/12	1,900
Purchase	11/30/12	4,000
Sale	12/03/12	1,000
Sale	12/04/12	1,000
Purchase	12/11/12	4,000
Sale	12/13/12	1,000
Purchase	12/14/12	5,000
Purchase	12/18/12	5,000
Sale	12/19/12	4,000
Sale	12/19/12	5,000
Sale	12/19/12	4,000
Sale	12/19/12	1,500
Purchase	12/28/12	7,726
Purchase	12/31/12	5,000
Purchase	12/31/12	3,000
Purchase	12/31/12	2,274
Purchase	12/31/12	5,000
Purchase	01/03/13	1,645
Purchase	01/04/13	2,000
Purchase	01/14/13	600
Purchase	01/14/13	4,166
Purchase	01/14/13	2,600
Purchase	01/14/13	2,000
Purchase	01/15/13	2,836
Purchase	01/15/13	2,800
Purchase	01/15/13	2,300
Purchase	01/15/13	300
Purchase	01/15/13	100
Purchase	01/15/13	100
Purchase	01/16/13	1,298
Purchase	01/16/13	3,000
Purchase	01/16/13	2,300
Sale	01/28/13	10,000
Sale	01/28/13	101
Sale	01/29/13	899
Purchase	01/30/13	5,000

Sale

02/01/13

700

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Sale	02/01/13	400
Purchase	02/11/13	1,000
Purchase	02/13/13	4,000
Purchase	02/14/13	4,000
Purchase	02/15/13	4,000
Purchase	02/19/13	500
Purchase	02/19/13	2,000
Purchase	02/20/13	4,000
Sale	02/20/13	1,500
Sale	02/21/13	200
Purchase	02/21/13	3,000
Purchase	02/25/13	4,000
Sale	02/26/13	2,000
Sale	02/26/13	800
Purchase	02/27/13	3,000
Sale	03/11/13	1,000
Purchase	03/11/13	700
Purchase	03/11/13	200
Purchase	03/11/13	100

SCHEDULE II

The following table is reprinted from the Company's Preliminary Proxy Statement filed with the Securities and Exchange Commission on March 12, 2013.

The following table shows the number of shares of our common stock beneficially owned as of December 31, 2012 (unless otherwise indicated) by:

- each person, who, to our knowledge, beneficially owns more than 5% of our common stock;
- each of the Company's Directors;
- the Chief Executive Officer and the other Named Executive Officers; and
- all individuals who served as Directors or Named Executive Officers, as a group.

A beneficial owner of stock is a person who has sole or shared voting power, meaning the power to control voting decisions, or sole or shared investment power, meaning the power to cause the sale of the stock. All individuals listed in the table have sole voting and investment power over the shares unless otherwise noted. The Company had no preferred stock issued or outstanding.

	Shares Beneficially Owned	Percent of Shares Outstanding
Greater Than 5% Owners(2,3)		
Gamco Investors, Inc. One Corporate Center 401 Theodore Frels Ave. Rye, NY 10580-1422	5,177,017	15.29%
T. Rowe Price Associates, Inc.(4) 100 East Pratt Street Baltimore, Maryland 21202	3,153,465	9.31%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,488,449	7.35%
Stephen E. Myers(8)	1,713,790	5.06%
Dimensional Fund Advisors LP(9) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	2,242,624	6.62%

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The Vanguard Group, Inc.(10) 100 Vanguard Blvd. Malvern, PA 19355	1,863,215	5.50%
Barrow, Hanley, Mewhinney & Strauss, LLC 2200 Ross Avenue, 31st Floor Dallas, TX 75201-2761	2,139,831	6.32%

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Directors, Nominees, and Named Executive Officers(1,2,5,6)

Vincent C. Byrd	10,750	*
Sarah R. Coffin	6,000	*
John B. Crowe	13,000	*
William A. Foley	4,000	*
Robert B. Heisler, Jr.	4,000	*
Richard P. Johnston	30,693	*
Edward W. Kissel	23,256	*
John C. Orr(7)	894,177	2.64%
Robert A. Stefanko	9,600	*
David B. Knowles(7)	192,450	*
Greggory W. Branning	—	*

All Directors, Nominees and Named Executive Officers as a group (11 persons)

	1,187,926	3.51%
--	-----------	-------

* Less than 1% ownership

- (1) Unless otherwise indicated, none of the persons listed beneficially owns one percent or more of the outstanding shares of Common Stock.
- (2) Unless otherwise noted, the beneficial owner uses the same address as the address of the principal office of the Company.
- (3) According to filings made with the SEC, this party or an affiliate has dispositive and/or voting power over the shares. Number of shares of Common Stock beneficially owned is the amount reflected in the most recent Schedule 13D or Schedule 13G filed by such party with the SEC.
- (4) These securities are owned by various individual and institutional investors (including T. Rowe Price Small-Cap Value Fund, Inc., which owns 1,984,000 shares representing 5.86% of Myers' outstanding shares) that T. Rowe Price Associates, Inc. ("Price Associates") serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities and Exchange Act of 1934, as amended, Price Associates is deemed to be a beneficial owner of such securities.
- (5) Includes shares which the non-employee director has a right to acquire by exercising options granted under the Amended and Restated 1999 Incentive Stock Plan and the 2008 Incentive Stock Plan.
- (6) The amounts shown represent the total shares of Common Stock owned by such individuals, together with shares which are issuable under currently exercisable stock options: Mr. Orr, 699,440, Mr. Knowles, 68,250, Mr. Johnston, 2,500, and Mr. Kissel, 7,750.
- (7) Includes restricted stock: Mr. Orr, 123,050, and Mr. Knowles, 123,200.

(8) Includes 18,450 shares of Common Stock held by Mr. Myers' spouse, for which Mr. Myers disclaims beneficial ownership and 253,021 shares held by the Louis S. Myers & Mary S. Myers Foundation for which he may be deemed beneficial owner. Also includes 913 shares held by MSM & Associates LP, of which Mr. Myers is a shareholder, and 19,500 shares held by Semantic Foundation, both of which Mr. Myers is a trustee and may be deemed the beneficial owner of such shares. Mr. Myers disclaims beneficial ownership in such shares to the extent he does not hold a pecuniary interest.

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- (9) These securities are owned by various investment companies, trusts and accounts that Dimensional Fund Advisors LP (“Dimensional”) serves as investment adviser. For purposes of the reporting requirements of the Securities and Exchange Act of 1934, as amended, Dimensional is deemed to be a beneficial owner of such securities; however, Dimensional expressly disclaims that it is, in fact the beneficial owner of such securities.
- (10) These securities are owned by various individual and institutional investors that The Vanguard Group, Inc. (“Vanguard”) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities and Exchange Act of 1934, as amended, Vanguard is deemed to be a beneficial owner of such securities.

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IMPORTANT

Tell your Board what you think! Your vote is important. No matter how many shares of Common Stock you own, please give GAMCO your proxy FOR the election of the Nominee by taking three steps:

SIGNING the enclosed BLUE proxy card,

DATING the enclosed BLUE proxy card, and

MAILING the enclosed BLUE proxy card TODAY in the envelope provided (no postage is required if mailed in the United States).

If any of your shares of Common Stock are held in the name of a brokerage firm, bank, bank nominee or other institution, only it can vote such shares of Common Stock and only upon receipt of your specific instructions. Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed BLUE voting form.

If you have any questions or require any additional information concerning this Proxy Statement, please contact GAMCO at its address below.

GAMCO ASSET MANAGEMENT INC.

ONE CORPORATE CENTER

RYE, NEW YORK 10580

(800) 422-3554

PRELIMINARY COPY SUBJECT TO COMPLETION

DATED MARCH 19, 2013

MYERS INDUSTRIES, INC.

2013 ANNUAL MEETING OF SHAREHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF GAMCO ASSET MANAGEMENT INC.

THE BOARD OF DIRECTORS OF MYERS INDUSTRIES, INC.
IS NOT SOLICITING THIS PROXY

P R O X Y

The undersigned appoints George Maldonado, as attorney and agent with full power of substitution to vote all shares of common stock of Myers Industries, Inc. (the “Company”) which the undersigned would be entitled to vote if personally present at the 2013 Annual Meeting of Shareholders of the Company scheduled to be held at the Louis S. Myers Training Center, 1554 South Main Street, Akron, Ohio 44301 on Friday, April 26, 2013, at 9:00 A.M. (local time) (including any adjournments or postponements thereof and any meeting called in lieu thereof, the “Annual Meeting”).

The undersigned hereby revokes any other proxy or proxies heretofore given to vote or act with respect to the shares of common stock of the Company held by the undersigned, and hereby ratifies and confirms all action the herein named attorneys and proxies, their substitutes, or any of them may lawfully take by virtue hereof. If properly executed, this Proxy will be voted as directed on the reverse and in the discretion of the herein named attorneys and proxies or their substitutes with respect to any other matters as may properly come before the Annual Meeting that are unknown to GAMCO Asset Management Inc. (“GAMCO”) a reasonable time before this solicitation.

IF NO DIRECTION IS INDICATED WITH RESPECT TO THE PROPOSALS ON THE REVERSE, THIS PROXY WILL BE VOTED “FOR” PROPOSAL 1, “FOR” PROPOSAL 2, “AGAINST” PROPOSAL 3 AND “AGAINST” PROPOSAL 4.

This Proxy will be valid until the completion of the Annual Meeting. This Proxy will only be valid in connection with GAMCO’s solicitation of proxies for the Annual Meeting.

IMPORTANT: PLEASE SIGN, DATE AND MAIL THIS PROXY CARD PROMPTLY!

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

[X] Please mark vote as in this example

GAMCO STRONGLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE NOMINEE LISTED BELOW IN PROPOSAL 1. GAMCO RECOMMENDS A VOTE FOR PROPOSAL 2 AND AGAINST PROPOSALS 3 AND 4.

1. GAMCO’s proposal to elect Daniel R. Lee to serve as director of the Company until the next annual meeting of shareholders.

	FOR ALL NOMINEE	WITHHOLD AUTHORITY	FOR ALL EXCEPT
Nominee: Daniel R. Lee	[]	[]	[]

GAMCO does not expect that the Nominee will be unable to stand for election, but, in the event that the Nominee is unable to serve or for good cause will not serve, the shares of Common Stock represented by this proxy card will be voted for substitute nominee(s), to the extent this is not prohibited under the Code of Regulations and applicable law. In addition, GAMCO has reserved the right to nominate substitute person(s) if the Company makes or announces any changes to its Code of Regulations or takes or announces any other action that has, or if consummated would have, the effect of disqualifying any Nominee, to the extent this is not prohibited under the Code of Regulations and applicable law. In any such case, shares of Common Stock represented by this proxy card will be voted for such substitute nominee(s).

GAMCO intends to use this proxy to vote (i) “FOR” Mr. Lee and (ii) “FOR” the candidates who have been nominated by the Company to serve as a director, other than Richard P. Johnston, for whom GAMCO is not seeking authority to vote for and will not exercise any such authority. The names, background and qualification of the candidates who have been nominated by the Company, and other information about them, can be found in the Company’s proxy statement.

There is no assurance that any of the candidates who have been nominated by the Company will serve as directors if our Nominees are elected.

Note: If you do not wish for your shares of Common Stock to be voted “FOR” a particular nominee, mark the “FOR ALL NOMINEES EXCEPT” box and write the name(s) of the nominee(s) you do not support on the line below. Your Shares will be voted for the remaining nominee(s). You may also withhold authority to vote for one or more additional candidates who have been nominated by the Company by writing the name(s) of the nominee(s) below.

2. Company's proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2013.

- FOR AGAINST ABSTAIN

3. Company's proposal to cast a non-binding advisory vote to approve executive compensation.

- FOR AGAINST ABSTAIN

4. Company's proposal to approve the adoption of the Performance Bonus Plan of Myers Industries, Inc.

- FOR AGAINST ABSTAIN

DATED: _____

(Signature)

(Signature, if held jointly)

(Title)

WHEN SHARES ARE HELD JOINTLY, JOINT OWNERS SHOULD EACH SIGN. EXECUTORS, ADMINISTRATORS, TRUSTEES, ETC., SHOULD INDICATE THE CAPACITY IN WHICH SIGNING. PLEASE SIGN EXACTLY AS NAME APPEARS ON THIS PROXY.