SIMON PROPERTY GROUP INC /DE/
Form 8-K
October 26, 2016

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 26, 2016**

SIMON PROPERTY GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-14469**	**04-6268599**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

225 WEST WASHINGTON STREET INDIANAPOLIS, INDIANA	**46204**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **317.636.1600**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)) o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On October 26, 2016, Simon Property Group, Inc. issued a press release containing information on earnings for the quarter ended September 30, 2016 and other matters. A copy of the press release is furnished with this report as Exhibit 99.1, and is incorporated by reference into this report.

Item 7.01. Regulation FD Disclosure

Exhibit 99.1 also includes supplemental financial and operating information for the quarter ended September 30, 2016.

Item 9.01. Financial Statements and Exhibits

Financial Statements:

None

Exhibits:

Exhibit No.	Description
99.1	Earnings Release dated October 26, 2016 and supplemental information

The exhibit filed with this report contains measures of financial or operating performance that are not specifically defined by generally accepted accounting principles ("GAAP") in the United States, including funds from operations ("FFO"), FFO per share, comparable FFO per share, comparable earnings per share, funds available for distribution, net operating income ("NOI"), portfolio NOI, and comparable property NOI. FFO and NOI are performance measures that are standard in the REIT business. We believe FFO and NOI provide investors with additional information concerning our operating performance and a basis to compare our performance with the performance of other REITs. We also use these measures internally to monitor the operating performance of our portfolio. Our computation of these non-GAAP measures may not be the same as similar measures reported by other REITs.

These non-GAAP financial measures should not be considered as alternatives to net income as a measure of our operating performance or to cash flows computed in accordance with GAAP as a measure of liquidity nor are they indicative of cash flows from operating and financial activities.

Reconciliations of each of these non-GAAP measures to the most-directly comparable GAAP measure are included in the exhibit.

The information in this report and the exhibit filed herewith is being furnished, not filed, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and pursuant to Items 2.02 and 7.01 of Form 8-K, will not be incorporated by reference into any filing under the Securities Act of 1933, as amended.

SIGNATURES

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

Dated: October 26, 2016

SIMON PROPERTY GROUP, INC.

By: /s/ ANDREW JUSTER

Andrew Juster,
Executive Vice President and
Chief Financial Officer

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Item 2.02. Results of Operations and Financial Condition
Item 7.01. Regulation FD Disclosure
Item 9.01. Financial Statements and Exhibits
SIGNATURES
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5,384

3,796

1,872

29,663

Three months ended March 31, 2010	Liquids Pipelines	Gas Distribution	Gas Pipelines, Processing and Energy Services	Sponsored Investments	Corporate	Consolidated
(unaudited; millions of Canadian dollars)						
Revenues	322	1,044	2,532	79	-	3,977
Commodity costs	-	(670)	(2,399)	-	-	(3,069)
Operating and administrative	(119)	(123)	(50)	(27)	(5)	(324)
Depreciation and amortization	(65)	(77)	(34)	(21)	(3)	(200)
	138	174	49	31	(8)	384
Income from equity investments	-	-	-	68	18	86
Other income/(expense)	64	(11)	11	9	66	139
Interest expense	(41)	(44)	(23)	(14)	(28)	(150)
Income taxes	(26)	(38)	(13)	(32)	6	(103)
Earnings	135	81	24	62	54	356
Noncontrolling interests	(1)	(1)	-	(10)	-	(12)
Preferred share dividends	-	-	-	-	(2)	(2)
Earnings attributable to Enbridge Inc. common shareholders	134	80	24	52	52	342
Additions to property, plant and equipment 1	231	63	121	12	-	427
Total assets	10,869	6,820	4,706	3,892	1,806	28,093

1. Includes AEDC

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3. POST EMPLOYMENT BENEFITS

The Company has three registered pension plans which provide either defined benefit or defined contribution pension benefits, or both, to employees of the Company. The Liquids Pipelines and Gas Distribution pension plans (collectively, the Canadian Plans) provide Company funded defined benefit pension and/or defined contribution benefits to Canadian employees of Enbridge. The Enbridge United States pension plan (the United States Plan) provides Company funded defined benefit pension benefits for United States based employees. The Company has four supplemental pension plans which provide pension benefits in excess of the basic plans for certain employees. The Company also provides other post employment benefits (OPEB) for qualifying retired employees. Costs related to the period are presented below.

NET PENSION PLAN AND OPEB COSTS

	Three months ended March 31,	
	2011	2010
(unaudited; millions of Canadian dollars)		
Benefits earned during the period	17	14
Interest cost on projected benefit obligations	21	20
Expected return on plan assets	(24)	(20)
Amortization of unrecognized amounts	7	5
Amount charged to Enbridge Energy Partners, L.P. (EEP)	(5)	(5)
Pension and OPEB Costs	16	14

The table reflects the pension and OPEB cost for all the Company s benefit plans on an accrual basis. However, for the Gas Distribution pension and OPEB plans, partially offsetting long-term regulatory assets and liabilities have been recorded as plan contributions and actual OPEB benefit costs are recovered through rates.

4. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Company has signed contracts for the purchase of services, pipe and other materials totaling $1,894 million which are expected to be paid within the next five years.

ENBRIDGE GAS DISTRIBUTION INC.

Bloor Street Incident

Enbridge Gas Distribution Inc. (EGD) was charged under both the Ontario Technical Standards and Safety Act (TSSA) and the Ontario Occupational Health and Safety Act (OHSA) in connection with an explosion that occurred on Bloor Street West in Toronto in April 2003. In October 2007, all of the TSSA and OHSA charges laid against EGD were dismissed by the Ontario Court of Justice. The decision was appealed by the Crown to the Ontario Superior Court of Justice and the appeal was heard by the Court during November and December 2009. In April 2010, the Superior Court overturned the trial judge s decision and ordered a new trial to be conducted before a different judge. EGD commenced a motion for leave to appeal to the Ontario Court of Appeal and the motion was heard by the Court of Appeal in August 2010. On January 7, 2011 the Court of Appeal dismissed EGD s motion, meaning that the Superior Court s decision ordering a new trial will stand. At this time it is not certain when a new trial of the charges will commence. Management does not believe any fines that may be levied will have a material financial impact on the Company.

ENBRIDGE ENERGY PARTNERS, L.P.

EEP Lakehead System Line 6B and 6A Crude Oil Releases

Enbridge holds an approximate 25.3% combined direct and indirect ownership interest in EEP, which is accounted for as an equity investment. Subsidiaries of Enbridge provide services to EEP in connection with its operation of the Lakehead System.

Line 6B Crude Oil Release

EEP continues to make visible progress on the clean up, remediation and restoration of the areas affected by the Line 6B crude oil release. A significant portion of the effort to clean up, remediate and restore the areas affected by the Line 6B release was performed by the end of 2010; however, remediation of the identified sites continues. EEP expects to make payments for additional costs associated with remediation and restoration of the area, air and groundwater monitoring, along with other legal, professional and regulatory costs through future periods. All of the initiatives EEP undertakes in the monitoring and restoration phases are intended to restore the incident area to the satisfaction of the appropriate regulatory authorities.

EEP did not revise its US$550 million ($96 million after-tax net to Enbridge) cost estimate for this incident at March 31, 2011 based on a review of costs and commitments incurred as well as evaluation of additional information regarding requirements for environmental restoration and remediation. The expected losses associated with the Line 6B crude oil release includes those costs that are considered probable and that could be reasonably estimated at March 31, 2011. The estimates do not include amounts capitalized or any unasserted fines, penalties and claims associated with the release that may later become evident. Despite the efforts EEP has made to ensure the reasonableness of its estimates, changes to the recorded amounts associated with this release are reasonably possible as more reliable information becomes available. EEP has the potential of incurring additional costs in connection with this incident due to variations in any or all of the cost categories including modified or revised requirements from regulatory agencies in addition to fines and penalties as well as expenditures associated with litigation and settlement of claims.

Line 6A Crude Oil Release

EEP has substantially completed the clean up, remediation and restoration of the areas affected by the crude oil release from Line 6A of its Lakehead System. In connection with this incident, EEP has not changed its original estimate that it will incur aggregate costs of approximately US$45 million ($7 million after-tax net to Enbridge), before insurance recoveries and excluding fines and penalties. EEP has the potential to incur additional costs in connection with this incident, including fines and penalties as well as expenditures associated with litigation.

Insurance Recoveries

The Company maintains commercial liability insurance coverage that is consistent with coverage considered customary for its industry. The commercial liability insurance covers costs associated with environmental incidents such as those incurred for the releases from Lines 6A and 6B, excluding costs for fines and penalties. EEP is included in Enbridge s comprehensive insurance program that has an aggregate limit of US$650 million for pollution liability through the policy renewal date of May 1, 2011. Apart from the amounts for which EEP is not insured, it is anticipated that substantially all of the costs incurred from the releases will ultimately be recoverable under the Company s existing insurance policies. In the first quarter of 2011, EEP recognized US$35 million ($5 million after-tax net to Enbridge) of insurance recoveries for claims filed in connection with the Line 6B release. EEP expects to record a receivable for any additional amounts claimed for recovery pursuant to its insurance policies during the period that it deems realization of the claim for recovery is probable.

Pipeline Integrity Commitment

In connection with the restart of Line 6B, EEP committed to accelerate a process, initiated prior to the release, to perform additional inspections, testing and refurbishment of Line 6B within and beyond the immediate area of the July 26, 2010 incident. Pursuant to this agreement with the United States Department of Transportation s Pipeline and Hazardous Materials Safety Administration (PHMSA), EEP completed remediation of those pipeline anomalies it identified between 2007 and 2009 that were scheduled for refurbishment, including anomalies identified for action in a July 2010 PHMSA notification, on schedule within 180 days of the September 27, 2010 restart of Line 6B, as required. In addition to the required integrity measures, EEP also agreed to replace a 3,600 foot section of the Line 6B pipeline that lies underneath the St. Clair River in Michigan within one year of the restart of Line 6B, subject to obtaining required permits. A new line was installed beneath the St. Clair River in March 2011 and is scheduled for tie-in during June 2011. Additional integrity expenditures, which could be significant, may be required after this initial remediation program. The pipeline integrity and replacement costs will be capitalized or expensed in accordance with EEP s capitalization policies as these costs are incurred, the majority of which are expected to be capital in nature.

In February 2011, EEP filed a tariff supplement with the Federal Energy Regulatory Commission, to be effective April 1, 2011, for recovery of US$175 million of capital costs and US$5 million of operating costs which are related to the 2010/2011 Line 6B integrity program. These costs include costs associated with the PHMSA Corrective Action Order and other required integrity work.

Legal and Regulatory Proceedings

A number of United States governmental agencies and regulators have initiated investigations into the Line 6A and Line 6B incidents. Currently, approximately 25 actions or claims have been filed against Enbridge, EEP or their affiliates in United States federal and state courts in connection with the Line 6B incident, including direct actions, actions seeking class status and actions seeking derivative status. With respect to the Line 6B incident, no penalties or fines have been assessed against Enbridge, EEP or their affiliates to-date. One claim related to the Line 6A incident has been filed against Enbridge, EEP or their affiliates by the State of Illinois in a United States state court. The parties are operating under an agreed interim order which is expected to mature into a final order in the near future, thereby resolving the proceeding.

TAX MATTERS

Enbridge and its subsidiaries maintain tax liabilities related to uncertain tax positions. While fully supportable in the Company s view, these tax positions, if challenged by tax authorities, may not be fully sustained on review.

OTHER LITIGATION

The Company and its subsidiaries are subject to various other legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits by special interest groups. While the final outcome of such actions and proceedings cannot be predicted with certainty, Management believes that the resolution of such actions and proceedings will not have a material impact on the Company s consolidated financial position or results of operations.

5. RELATED PARTY TRANSACTIONS

In connection with the Lakehead Line 6B crude oil release, the Company provided personnel support and other services to its affiliate, EEP, to assist in the clean-up and remediation efforts. These services, which were charged at cost, totaled $2 million (2010 - $nil) for the three months ended March 31, 2011.

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6. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP. The effects of significant differences between Canadian GAAP and U.S. GAAP for the Company are described below.

EARNINGS

	Three months ended March 31,	
	2011	2010
(unaudited; millions of Canadian dollars, except per share amounts)		
Earnings attributable to Enbridge Inc. common shareholders under Canadian GAAP	**393**	342
Earnings attributable to Enbridge Inc. under Canadian GAAP	**395**	344
Inventory valuation adjustment, net of tax[1]	**(22)**	21
Amortization of underfunded pension adjustment[2]	**(1)**	(1)
Earnings attributable to noncontrolling interests		
EEP	**61**	54
Other	**8**	12
Earnings under U.S. GAAP	**441**	430
Less: Earnings attributable to noncontrolling interests	**(69)**	(66)
Earnings attributable to Enbridge Inc. under U.S. GAAP	**372**	364
Preferred share dividends	**(2)**	(2)
Earnings attributable to Enbridge Inc. common shareholders under US GAAP	**370**	362
Earnings per common share attributable to Enbridge Inc. common shareholders	**0.99**	0.98
Diluted earnings per common share attributable to Enbridge Inc. common shareholders	**0.98**	0.98

COMPREHENSIVE INCOME

	Three months ended March 31,	
	2011	2010
(unaudited; millions of Canadian dollars)		
Earnings under U.S. GAAP	**441**	430
Other comprehensive loss including noncontrolling interests under Canadian GAAP	**(55)**	(155)
Underfunded pension adjustment[2]	**3**	3
Other comprehensive income/(loss) attributable to noncontrolling interests in EEP under U.S. GAAP[4]	**(36)**	4
Other comprehensive loss including noncontrolling interests under U.S. GAAP	**(88)**	(148)
Comprehensive income	**353**	282
Less: Comprehensive income attributable to noncontrolling interests	**(17)**	(57)
Comprehensive income attributable to Enbridge Inc. under U.S. GAAP	**336**	225
Preferred share dividends	**(2)**	(2)
Comprehensive income attributable to Enbridge Inc. common shareholders under U.S. GAAP	**334**	223

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FINANCIAL POSITION

	March 31, 2011		December 31, 2010	
	Canada	United States	Canada	United States
(unaudited; millions of Canadian dollars)				
Assets				
Current assets				
Cash and cash equivalents3,5	**351**	**492**	242	385
Accounts receivable and other3,5	**2,374**	**3,119**	2,706	3,573
Inventory1,3,5	**545**	**561**	813	913
	3,270	**4,172**	3,761	4,871
Property, plant and equipment, net3,5	**20,441**	**28,608**	20,332	28,612
Long-term investments3,5	**2,158**	**457**	2,198	438
Deferred amounts and other assets2,3,5,6	**2,877**	**2,000**	2,886	1,992
Intangible assets3	**460**	**726**	478	753
Goodwill3	**384**	**719**	385	728
Future income taxes5	**73**	**72**	80	79
	29,663	**36,754**	30,120	37,473
Liabilities and shareholders equity				
Current liabilities				
Short-term borrowings	**101**	**101**	326	326
Accounts payable and other3,5	**2,175**	**3,187**	2,688	3,819
Interest payable3	**144**	**220**	117	177
Current maturities of long-term debt3	**154**	**184**	154	185
Current maturities of non-recourse long-term debt5	**78**	**67**	70	68
	2,652	**3,759**	3,355	4,575
Long-term debt5,6	**13,449**	**18,209**	13,561	18,403
Non-recourse long-term debt5	**1,051**	**702**	1,061	701
Other long-term liabilities3,4,5	**1,483**	**1,529**	1,473	1,497
Future income taxes1,2	**2,550**	**2,479**	2,447	2,388
	21,185	**26,678**	21,897	27,564
Redeemable noncontrolling interests4	**-**	**402**	-	364
Shareholders equity				
Share capital				
Preferred shares	**125**	**125**	125	125
Common shares	**3,766**	**3,766**	3,683	3,683
Contributed surplus	**66**	**-**	59	-
Retained earnings1,2,4	**4,944**	**4,456**	4,734	4,315
Additional paid-in capital	**-**	**154**	-	147
Accumulated other comprehensive loss2	**(921)**	**(1,055)**	(882)	(1,005)
Reciprocal shareholding	**(154)**	**(154)**	(154)	(154)
Total Enbridge Inc. shareholders equity	**7,826**	**7,292**	7,565	7,111
Noncontrolling interests3,4	**652**	**2,382**	658	2,434
	8,478	**9,674**	8,223	9,545
	29,663	**36,754**	30,120	37,473

1. Commodity Inventories Valuation

Under Canadian GAAP commodity inventories are recorded at fair value. U.S. GAAP requires that commodity inventories be recorded at the lower of cost or market. For the three months ended March 31, 2011, lower of cost or market adjustments resulted in a $67 million (December 31, 2010 - $33 million) decrease to inventory, a $24 million (December 31, 2010 - $12 million) decrease to the future income tax liability and a $22 million (2010 - $21 million increase) decrease to earnings.

2. Pension Accounting

U.S. GAAP requires an employer to recognize the overfunded or underfunded status of a defined benefit post retirement plan or OPEB plan as an asset or liability and to recognize changes in the funded status in the period in which they occur through other comprehensive income (OCI) while Canadian GAAP does not require the recognition of the defined benefit post retirement plan or OPEB plan funding status. Pension funding status adjustments resulted in a decrease in the net pension asset of $332 million (December 31, 2010 - $335 million) for the underfunded status of the plans, a decrease in regulatory liabilities of $128 million (December 31, 2010 - $132 million), a decrease in future tax liability of $70 million (December 31, 2010 - $70 million) and an increase in accumulated other comprehensive loss of $137 million (December 31, 2010 - $136 million) at March 31, 2011. Approximately $3 million (2010 - $3 million) related to pension and OPEB plans was reclassified into OCI during the three months ended March 31, 2011.

Under Canadian GAAP, an unrecognized net transitional asset was recognized as part of the net pension asset on the adoption of CICA Handbook Section 3461, Employee Future Benefits. There is no corresponding asset under U.S. GAAP. At March 31, 2011, this adjustment resulted in a $3 million (December 31, 2010 - $3 million) increase to the net pension asset with an offset to retained earnings.

Under Canadian GAAP, a regulatory asset is recorded in relation to recoverable costs associated with OPEB plans. There is no corresponding regulatory asset under U.S. GAAP. At March 31, 2011, this adjustment resulted in an $87 million decrease (December 31, 2010 - $85 million) to regulatory assets with a corresponding decrease to retained earnings, and a $1 million decrease to earnings (December 31, 2010 - $1 million)

3. Consolidation of a Limited Partnership

Under U.S. GAAP the Company is deemed to have control of EEP and therefore consolidates its 25.3% interest in the partnership, resulting in an increase to assets of $7,807 million (December 31, 2010 - $8,012 million), an increase in liabilities of $5,980 million (December 31, 2010 - $6,131 million) and an increase in noncontrolling interests of $1,827 million (December 31, 2010 - $1,881 million) at March 31, 2011 and no recognition or measurement changes to equity or earnings attributable to the Company as at and for the three months ended March 31, 2011 and 2010.

4. Redeemable Noncontrolling Interests

Under Canadian GAAP, a subsidiary s redeemable units classified as equity are eliminated on consolidation when held by the parent, or presented by the parent in the consolidated statement of financial position as noncontrolling interest in equity. Under U.S. GAAP, non-controlling interest in a redeemable equity security is classified outside of permanent equity. Further, under U.S. GAAP, noncontrolling interest in a redeemable equity security is required to be presented at its redemption value with changes in value recognized in retained earnings. At March 31, 2011, this difference resulted in an increase to noncontrolling interests, with a corresponding decrease to retained earnings, of $301 million (December 31, 2010 - $255 million).

5. Accounting for Joint Ventures

Canadian GAAP requires that investments in joint ventures are proportionately consolidated. U.S. GAAP requires the Company s investments in joint ventures be accounted for using the equity method. However, under an accommodation of the United States Securities and Exchange

Commission, accounting for jointly controlled investments need not be reconciled from Canadian to U.S. GAAP if the joint venture is jointly controlled by all parties having an equity interest in the entity. Joint ventures in which all owners do not share joint control are reconciled to U.S. GAAP. The different accounting treatment affects only presentation and classification and not earnings or shareholders equity.

6. Transaction Costs

Under Canadian GAAP transaction costs arising from the issuance of debt are recorded in long-term debt. For U.S. GAAP, these costs are reclassified to deferred amounts and other assets. As at March 31, 2011, $91 million (December 31, 2010 - $89 million) of transaction costs were reclassified.