

FEBRUARY 8, 2016 CALL - FINAL TRANSCRIPT

OCTOBER 2015

**CORPORATE PARTICIPANTS***Daniel Hurwitz, Interim CEO**Michael Berman, Director & Chairman of the Audit Committee**Steve Siegel, General Counsel**Stacy Slater, SVP, Investor Relations***PRESENTATION****Stacy Slater**

Thank you operator and good morning everyone. With me on the call today are Michael Berman, Director and Chairman of Brixmor's Audit Committee, Dan Hurwitz, Interim CEO, and Steve Siegel, our General Counsel.

Before we begin, let me remind everyone that our comments today may contain forward-looking statements within the meaning of the federal securities laws. These statements are based on certain assumptions and are subject to inherent risks and uncertainties, as described in more detail in our SEC filings and actual future results may differ materially. We assume no obligation to update any forward-looking statement. Also, we will refer today to certain non-GAAP financial measures. Further information regarding our use of these measures and reconciliations of these measures to our GAAP results are available on the Investor Relations portion of our website.

Lastly, we ask that you please be mindful of your fellow call participants and limit your questions to one per person. If you have additional questions regarding today's announcement, please re-queue. At this time, I will turn the call over to Michael Berman.

**Michael Berman**

Thank you Stacy. And thank you all for joining us today on such short notice. By now, all of you will have seen the press release that we issued prior to this call. I'm not going to repeat what the Company set out in the release, but would like to highlight a few points that are important to understand. First, the actions of the Board are directly related to a course of conduct matter. The Audit Committee and Board conducted an extensive and thorough analysis of what originally surfaced as a limited income recognition issue. The dollar amounts involved, which were detailed in the press release, were not material, but the conduct obviously was. As a result, we don't believe there will be material impact on the Company's GAAP financial results.

Second, we believe that a restatement of any historical financial results will likely not be required and we believe there will be no impact on our compliance with financial covenants in any of our debt agreements.

Third, the Board, as stewards of your capital, determined that the conduct and judgment exercised by senior management was unacceptable.

Against this backdrop, I am fortunate to be able to introduce Dan Hurwitz. Most of you on today's call probably know who Dan is and understand why we believe he is the ideal person to guide Brixmor through this transition. He has been a respected figure in the industry for many years and is a proven and highly capable and effective chief executive.

Please join me in welcoming Dan to the team and to his first Brixmor Investor call.

**Daniel Hurwitz**

Thank you Mike and good morning everyone. I appreciate the kind introduction and I thank the Board for the confidence they placed in me. While these circumstances are clearly less than ideal, I look forward to a very productive interim period as CEO of Brixmor. Upon being contacted by the Board last week, I conducted an extensive review of the Company, including current and historical financial information, budgets and strategic plans. This information, coupled with my prior knowledge of the Company and portfolio, gives me great comfort that the organization is as stable and fundamentally sound as I previously had thought.

The current growth strategy, which is based on capitalizing through aggressive leasing on below-market lease expirations, improving occupancy upside and pursuing value-creating anchor store recapture, is extremely appropriate given our current cycle in the sector, bolstered by the landlord friendly supply/demand dynamic.

Despite the changes being announced today, I am optimistic about the Company's future. The issues addressed in the press release are unrelated to any asset level performance. The vast majority of the numerous talented individuals responsible for the strong performance since the IPO are still in place, and will be hard at work today, tomorrow, and going forward. In addition, it's important to keep in mind that the strength and quality of the portfolio is unchanged. The tenant performance at the assets and credit quality of cash flow is unaffected. And most importantly, we all know that the consumer will continue to shop this portfolio without interruption.

Over the next few days, I will be engaged in the search for our Interim CFO, and meeting with various team members in the regional offices. In addition, I will be attending the previously scheduled Brixmor Annual Leasing Conference, which will give me the opportunity to meet the

leasing team and all the national account personnel, and will be able to solidify and, hopefully, enhance the Company's 2016 leasing goals, strategies and initiatives.

Also in the coming months, I will work closely with the Board to identify the permanent CEO to lead this Company forward over the long term. While we will act as expeditiously as appropriate, we will not sacrifice quality for the sake of speediness. I have also agreed to remain a member of the Board after a permanent replacement has been identified, to ensure a smooth and effective transition.

Let me conclude by assuring you that Brixmor will receive my full time and attention, and that I am very confident that this Company has the assets, structure, strategy and talent to continue to performance at a very high level.

Now, I'd like to turn the call back over to Michael.

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**Michael Berman**

Thanks, Dan. Before we open the call for questions, please remember that given the nature of today's announcement, we are obviously limited in what we can say beyond our disclosures in the press release, and we'd like and hope that questions focus on the future plans for the Company.

Additionally, we've not yet reported our fourth quarter and year-end results, so please defer any questions related to financial performance until our earnings call, which we expect to hold on February 29.

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**QUESTION AND ANSWER**

**Steve Sakwa – Evercore ISI**

I guess Mike, as kind of Head of the Audit Committee, I guess, is there any sort of light or information you can just kind of provide for us? Obviously, the restatements and issues go back basically to the IPO. And although the changes are pretty small and somewhat immaterial as you've outlined, I'm just trying to understand how this sort of came to light now as opposed to maybe in past quarters, not coming to light, and just what sort of in your procedure can or will you guys change to maybe limit these in the future?

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**Michael Berman**

Good morning, Steve. First of all, there's been no restatements yet and we hope there won't be any. We don't expect any. In terms of how this came about, the Company, like many companies, has an alert line. This came in towards the second half of December and led to the next few weeks in terms of an intensive review of the Company's accounting processes.

And the third question is, really, there'll be a remediation plan. The amounts are small; difficult for small amounts to be picked up on audits. There may be changes to the way the Company processes things. We aren't there yet in terms a full remediation plan. But I can assure you that whatever holes there were will be tightened up. But, again, these are small amounts, immaterial amounts that we do not expect to have a material impact on our financials.

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**Michael Bilerman – Citigroup Global Markets, Inc.**

Hey, it's Michael Bilerman with Christy. Michael, I'm just curious, as you think about the culture that Mike and Mike had set at the organization, how much more – obviously, you looked into this one issue, which you referred to them as small amounts, but how much time has the Board spent on a larger scale to, obviously, people felt that they needed to make these changes in their results. It had to be done to please someone upstairs. How deeper of a dive within the organization have you gone to see what else may have been impacted?

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**Michael Berman**

First of all, the Board was extremely involved all along the way. Everything that we did was unanimous. In a process like this, not that there is a playbook, clearly shouldn't be a playbook. There is many things that you might want to go and look at now that you know things are out in the open, and I would expect it to be a big part of Dan's role going forward would be to evaluate some of the things that you've noted.

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**Vin Chao – Deutsche Bank Securities, Inc.**

Hey, guys. I apologize if I missed this. But just can you just take us through sort of how this came about? It sounds like in December something bubbled up and then that sort of the whole process.

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**Michael Berman**

That's pretty much the story.

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**Vin Chao – Deutsche Bank Securities, Inc.**

There is nothing else to it? Okay.

**Michael Berman**

No.

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**Jeff Spector – Bank of America Merrill Lynch**

Good morning. Thanks. Dan, we have great respect for you and so we're happy to see that you've taken this role in the interim and you say that some strong words guide through your due diligence over the last week. You felt that it's stable, fundamentally sound. I guess what steps were you able to take in the last week to see that today?

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**Daniel Hurwitz**

Thank you, Jeff. When I was contacted by the Board, obviously, I was fully briefed on what the investigation entailed and how deep and thorough it was. And I was very impressed with the completeness and the thoroughness of the investigation on the matter that has led to this call. In addition to that, I met with senior management of the Company, in addition to meeting with the lawyers who were the third-party lawyers, who were involved in the investigation and members of the forensic audit team.

So, I looked very thoroughly at all those issues as it related to this particular issue. I met with all of those folks that are related to this particular matter and was satisfied that the investigation was not only complete but very thorough.

In addition to that, I looked at the historical financial information, I've looked at the 2015 numbers, I've looked at the 2016 budget, and the strategic plan. And again, I'm very familiar with the Company, and what I saw just confirmed my high praise that I had for this Company from an operating perspective for the last couple of years.

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**Alex Goldfarb – Sandler O'Neill & Partners LP**

Just a question, it seems such a small issue that the variance between the reported same-store NOI and what the actual numbers were. And given the reputations that Mike Carroll and Mike P had, it just seems hard to stomach that, for such a small variance, that this occurred.

So just the question is, was any of this – how much of same-store NOI was tied to any compensation or just perspective, because it just seems – Mike, it's comforting to hear that you guys feel like this is it, but at the same token, it seems hard when two reputable people – risk reputation on such a small variance. So, one is any compensation impact that was based on same-store NOI performance? And then two, just how you guys get comfort that this would have occurred over just such a small variance number?

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**Michael Berman**

There was no target, no bonus, no compensation directly related to the same-store NOI. Alex, it's difficult, and I'm not going to answer what the motivations of individual people are. The only thing I would keep in mind is, there's a numbers issue and there's a conduct issue. And if we've had similar – we've had a similar disconnect that you're experiencing, but keep in mind the numbers are small, the conduct was not.

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**Jordan Sadler – KeyBanc Capital Markets, Inc.**

Hey, it's Jordan Sadler here. This comes back to the last question as well a little bit, but along the same lines, I'm curious, so the action doesn't seem to fit necessarily 100% relative to what's being reported here. But I'm curious, how did you assess which executives were ultimately responsible for these events and drawing the line at CEO, Mike, or can you sort of put some color around that ultimately was both Mike and Mike were they both responsible here?

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**Michael Berman**

We've said everything about that issue in the press release, can't really go beyond that to answer your question, Jordan.

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**George Auerbach – Credit Suisse Securities (USA) LLC (Broker)**

Thanks. Good morning. As you guys dug into the same store figures, did you find any indications of smoothing or adjustments made to any other key operating metrics which are really important to the Brixmor story? I'm thinking in particular of cash leasing spreads or yields on development.

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**Michael Berman**

We focused our attention on the same-store NOI and the accounting issues that came as a result of it. There is today no belief that there's an impact on the other items. However, I think that's one of the things Dan is going to start looking at is whether or not there was an impact elsewhere. We don't expect there to be any. But, again, we just want to make sure that there isn't.

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**Ki Bin Kim – SunTrust Robinson Humphrey, Inc.**

Thanks. This is actually Ki Bin. Just one question. A quarter ago, we brought up an issue that had to deal with provision for a doubtful accounting and the changes that were occurring in that line item. Just curious if this investigation or this issue had anything to do with that?

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**Michael Berman**

No.

**Jason White – Green Street Advisors, LLC**

Yeah. Good morning. I just had a quick question regarding kind of the pre-IPO numbers, and I imagine those all were heavily audited. But given this started so early after the IPO, are those numbers to be relied upon just as they were before or is there anything to read into relative to kind of historical numbers that we've read in the prospectus?

**Michael Berman**

We only put in the press release the numbers that were reported by the Company as a public company. The review included full year 2013, full year 2014 and year-to-date 2015 and the audit is ongoing and we expect to issue our financials at the end of the month.

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**Nate Isbee – Stifel, Nicolaus & Co., Inc.**

Hi. Good morning. Can you give us a little bit more insight into what exactly took place in the smoothing process?

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**Michael Berman**

I think the table says it all, Nate.

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**Mike Bilerman – Citigroup Global Markets, Inc.**

Hey Mike, it's Michael Bilerman. I think there is a bigger issue here that you really need to address. It's did Mike C and Mike P – did they know or did they not know what was going on and they just simply ignored it, which goes to conduct? Or did Mike C and Mike P know or not know what was going on and they encouraged or the directed behavior? I think it's important for investors to understand whether this was a rogue accounting employee, the CAO, and the accounting personnel or whether this was the CEO and CFO that knew about it and ignored it, or they knew about it and they directed it.

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**Michael Berman**

Mike, I can totally appreciate your question. I can't speak beyond what's in the press release.

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**Steve Sakwa – Evercore ISI**

Hi Mike and Dan. I know S&P downgraded the Company this morning and I know you guys had some fairly large refinancings coming due. Just how do you guys think about this? I know its early days, but how should we be thinking about this in the context of the debt maturities that Brixmor has coming?

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**Daniel Hurwitz**

Well, S&P didn't downgrade us. They put us on watch. And we have had conversations with all three rating agencies over the weekend and they are fully informed as to the magnitude of this issue or the lack of magnitude of the financial issue.

In regard to the debt maturities, there has been a strategy in place to address the debt maturities from beginning of the year, including the end of the last year, where a number of the maturities were prepaid. And that strategy will continue through the course of the year. The majority of the debt maturity is at the end of the year, and we feel comfortable that they will all be addressed during the course of 2016 without problem.

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**Mike Mueller – JPMorgan Securities LLC**

Hey, it's Mike Mueller. And I apologize; I missed the very beginning in this. Are you going to need to change auditors? Are there plans to do that?

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**Michael Berman**

No, the Company's auditors are doing an excellent job and we see no reason to change. There was a change earlier in the year from E&Y to Deloitte. And again, I would say, all the auditors have been just fantastic throughout this process.

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**Rich Moore – RBC Capital Markets LLC**

Yeah. Hi. Good morning, guys. I'm curious, Michael, why can't you guys comment on some of these items that you're saying you can't comment on? Are you waiting for something else, for some other investigation to occur, or is there some other reason why you can't answer some of these analyst questions at this time?

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**Michael Berman**

It's potential litigation and, again, we think the press release speaks for itself.

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**Scott Frost – Bank of America Merrill Lynch**

Thanks for taking my question. Most have been answered, but I wanted to see if I can get you to elaborate a little bit on it just to make sure you're saying you expect to issue financials at the end of the month, are you saying that includes or doesn't include a forensic examination of the accounts as the controls that's what you anticipate to have cleared and have everything opined upon by the end of February?

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**Michael Berman**

The forensic accounting review is over. Part of that process was the table you saw in the press release that indicates the materiality or immateriality of the numbers. Just given what's going on, the auditors have said, we'd like to have time between now and the end of the month to finish up our processes. They will have expanded their scope a little bit. Naturally, you can imagine that would be what they were

doing. However, we are in a constant communication with the auditors and they are indicating to us that so far they're not expecting to find anything else.

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**Alex Goldfarb – Sandler O'Neill & Partners LP**

Okay. Thank you. Yeah, just on that topic, can you just give us a sense of timing for, first, when you expect the 10-K to be filed? Is that with earnings? And then separately, based on what your auditors and lawyers have said, how long is an SEC review process? Is it something that is a few months? Is it longer than a year? Just in general what other companies that have had similar issues.

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**Michael Berman**

I can't comment on the SEC, Alex. With respect to the filing, we fully expect to be on time, pursuant to the rules, which I believe is February 29, right around the time of the earnings call.

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**Ian Weissman – Credit Suisse Securities**

Hi. Yes. Good morning. Dan, just given your reputation amongst analysts and investors, was there any consideration to staying on full-time as CEO?

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**Daniel Hurwitz**

No, there isn't. I think it's important that we find the CEO that's going to lead the Company in the future. I do intend to go back to the private sector as soon as we do that. But I will be here for as long as it takes to get it done correctly. We are in no rush from that perspective. Like I said, we're not going to sacrifice talent for speediness. And I will be here for as long as it takes to get it done and then stay on the board to help with the transition.

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**Scott Frost – Bank of America Merrill Lynch**

Thanks again. I wanted to ask, again, about the one – the debt issuance plan. You had talked about – you said you're going to – you plan to address all the issues without a problem. Could you maybe give us a little more specifics on which couple types of instruments you anticipate using to address those problems, senior, unsecured, secured, term loans, et cetera, asset sales, any kind of specificity around that?

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**Michael Berman**

We're in the process of evaluating all of that at this time. There's been a number of options that are available to this Company because of its fine standing and the strong balance sheet. And we will look at all options at the appropriate time to make sure that we maximize what's appropriate given the opportunities that are available to us. We have maximum flexibility at Brixmor and we will take advantage of that.

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**Michael Berman**

Thank everyone for listening. Please direct any further questions to Stacy Slater, the Head of IR here at Brixmor. Thanks everybody.

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