ENTERTAINMENT PROPERTIES TRUST
Form 10-Q
August 01, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

or

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

For the transition period from to

Commission File Number: 001-13561

ENTERTAINMENT PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland	**43-1790877**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
909 Walnut, Suite 200	
Kansas City, Missouri	**64106**
(Address of principal executive offices)	**(Zip Code)**

(816) 472-1700

(Registrant s telephone number, including area code)

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. Yes x 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). Yes x 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.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

At July 29, 2011, there were 46,659,882 common shares of beneficial interest outstanding.

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CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

With the exception of historical information, certain statements contained or incorporated by reference herein may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), such as those pertaining to our acquisition or disposition of properties, our capital resources, future expenditures for development projects, and our results of operations. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of actual events. There is no assurance the events or circumstances reflected in the forward-looking statements will occur. You can identify forward-looking statements by use of words such as will be, intend, continue, believe, may, expect, hope, anticipate, goal, forecast, expects, pipeline, anticipates, estimates, offers, plans, would, may or other comparable terms or discussions of strategy, plans or intentions in this Quarterly Report on Form 10-Q. In addition, references to our budgeted amounts and guidance are forward looking statements. Factors that could materially and adversely affect us include, but are not limited to, the factors listed below:

General international, national, regional and local business and economic conditions;

Failure of current governmental efforts to stimulate the economy;

The downturn in the credit markets;

We have made a significant investment in a planned casino and resort development that may not be completed;

The failure of a bank to fund a request by us to borrow money;

Failure of banks in which we have deposited funds;

Defaults in the performance of lease terms by our tenants;

Defaults by our customers and counterparties on their obligations owed to us;

A borrower s bankruptcy or default;

The obsolescence of older multiplex theatres owned by some of our tenants;

Risks of our tenants operating in the entertainment industry;

Our ability to compete effectively;

A significant number of our megaplex theatre properties are leased by a single tenant;

A single tenant leases or is the mortgagor of all our ski area investments;

A significant number of our charter schools are leased by a single tenant;

Risks associated with use of leverage to acquire properties;

Financing arrangements that require lump-sum payments;

Our ability to sustain the rate of growth we have had in recent years;

Our ability to raise capital;

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Covenants in our debt instruments that limit our ability to take certain actions;

Risks of acquiring and developing properties and real estate companies;

The lack of diversification of our investment portfolio;

Our continued qualification as a REIT;

The ability of our subsidiaries to satisfy their obligations;

Financing arrangements that expose us to funding or purchase risks;

We have a limited number of employees and the loss of personnel could harm operations;

Fluctuations in the value of real estate income and investments;

Risks relating to real estate ownership, leasing and development, for example local conditions such as an oversupply of space or a reduction in demand for real estate in the area, competition from other available space, whether tenants and users such as customers of our tenants consider a property attractive, changes in real estate taxes and other expenses, changes in market rental rates, the timing and costs associated with property improvements and rentals, changes in taxation or zoning laws or other governmental regulation, whether we are able to pass some or all of any increased operating costs through to tenants, and how well we manage our properties;

Our ability to secure adequate insurance and risk of potential uninsured losses, including from natural disasters;

Risks involved in joint ventures;

Risks in leasing multi-tenant properties;

A failure to comply with the Americans with Disabilities Act or other laws;

Risks of environmental liability;

Our real estate investments are relatively illiquid;

We own assets in foreign countries;

Risks associated with owning or financing properties for which the tenant s or mortgagor s operations may be impacted by weather conditions and climate change;

Risks associated with the ownership of vineyards;

Our ability to pay distributions in cash or at current rates;

Fluctuations in interest rates;

Fluctuations in the market prices for our shares;

Certain limits on change in control imposed under law and by our Declaration of Trust and Bylaws;

Policy changes obtained without the approval of our shareholders;

Equity issuances could dilute the value of our shares;

Risks associated with changes in the Canadian exchange rate; and

Changes in laws and regulations, including tax laws and regulations.

These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For further discussion of these factors see Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 1, 2011.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference herein. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ENTERTAINMENT PROPERTIES TRUST

Consolidated Balance Sheets

(Dollars in thousands except share data)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Rental properties, net of accumulated depreciation of $316,580 and $296,784 at June 30, 2011 and December 31, 2010, respectively	$ 1,815,935	$ 2,020,191
Rental properties held for sale, net	4,696	6,432
Land held for development	184,457	184,457
Property under development	19,856	5,967
Mortgage notes and related accrued interest receivable, net	311,439	305,404
Investment in a direct financing lease, net	231,099	226,433
Investment in joint ventures	24,138	22,010
Cash and cash equivalents	15,740	11,776
Restricted cash	34,120	16,279
Intangible assets, net	5,330	35,644
Deferred financing costs, net	17,781	20,371
Accounts receivable, net	34,983	39,814
Notes and related accrued interest receivable, net	5,079	5,127
Other assets	25,063	23,515
Total assets	$ 2,729,716	$ 2,923,420
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 49,982	$ 56,488
Common dividends payable	32,660	30,253
Preferred dividends payable	7,552	7,551
Unearned rents and interest	10,055	6,691
Long-term debt	1,048,122	1,191,179
Total liabilities	1,148,371	1,292,162
Equity:		
Common shares, $.01 par value; 75,000,000 shares authorized; and 47,992,569 and 47,769,422 shares issued at June 30, 2011 and December 31, 2010, respectively	479	477
Preferred shares, $.01 par value; 25,000,000 shares authorized:		
3,200,000 Series B shares issued at June 30, 2011 and December 31, 2010; liquidation preference of $80,000,000	32	32
5,400,000 Series C convertible shares issued at June 30, 2011 and December 31, 2010; liquidation preference of $135,000,000	54	54
4,600,000 Series D shares issued at June 30, 2011 and December 31, 2010; liquidation preference of $115,000,000	46	46
3,450,000 Series E convertible shares issued at June 30, 2011 and December 31, 2010; liquidation preference of $86,250,000	35	35
Additional paid-in-capital	1,792,143	1,785,371

Treasury shares at cost: 1,335,879 and 1,226,472 common shares at June 30, 2011 and December 31, 2010, respectively	(44,834)	(39,762)
Accumulated other comprehensive income	25,904	38,842
Distributions in excess of net income	(220,535)	(181,856)
Entertainment Properties Trust shareholders equity	1,553,324	1,603,239
Noncontrolling interests	28,021	28,019
Equity	1,581,345	1,631,258
Total liabilities and equity	$ 2,729,716	$ 2,923,420

See accompanying notes to consolidated financial statements.

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ENTERTAINMENT PROPERTIES TRUST

Consolidated Statements of Income

(Unaudited)

(Dollars in thousands except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Rental revenue	$ 56,024	$ 53,850	$ 111,406	$ 107,607
Tenant reimbursements	4,515	4,013	9,176	8,291
Other income	131	45	155	249
Mortgage and other financing income	13,768	13,013	27,319	25,605
Total revenue	74,438	70,921	148,056	141,752
Property operating expense	6,656	5,962	13,016	12,186
Other expense	700	89	1,200	376
General and administrative expense	5,105	4,633	10,573	9,722
Costs associated with loan refinancing		11,383	6,163	11,383
Interest expense, net	17,287	16,946	36,110	33,839
Transaction costs	76	73	1,349	365
Provision for loan losses				700
Impairment charges	34,256		34,256	
Depreciation and amortization	12,123	11,068	24,135	22,144
Income (loss) before equity in income from joint ventures and discontinued operations	(1,765)	20,767	21,254	51,037
Equity in income from joint ventures	781	423	1,555	656
Income (loss) from continuing operations	$ (984)	$ 21,190	$ 22,809	$ 51,693
Discontinued operations:				
Income (loss) from discontinued operations	986	(5,471)	2,433	(8,119)
Impairment charges			(1,800)	
Gain on acquisition				8,468
Transaction costs		(37)		(7,270)
Gain (loss) on sale of real estate		(934)	18,293	(934)
Net income	2	14,748	41,735	43,838
Add: Net loss (income) attributable to noncontrolling interests		840	(2)	1,825
Net income attributable to Entertainment Properties Trust	2	15,588	41,733	45,663
Preferred dividend requirements	(7,551)	(7,552)	(15,103)	(15,103)
Net income (loss) available to common shareholders of Entertainment Properties Trust	$ (7,549)	$ 8,036	$ 26,630	$ 30,560
Per share data attributable to Entertainment Properties Trust common shareholders:				
Basic earnings per share data:				
Income (loss) from continuing operations	$ (0.18)	$ 0.30	$ 0.17	$ 0.83

Income (loss) from discontinued operations		0.02		(0.12)		0.40		(0.13)
Net income (loss) available to common shareholders	$	(0.16)	$	0.18	$	0.57	$	0.70
Diluted earnings per share data:								
Income (loss) from continuing operations	$	(0.18)	$	0.30	$	0.17	$	0.83
Income (loss) from discontinued operations		0.02		(0.12)		0.40		(0.14)
Net income (loss) available to common shareholders	$	(0.16)	$	0.18	$	0.57	$	0.69
Shares used for computation (in thousands):								
Basic		46,648		44,869		46,576		43,865
Diluted		46,648		45,214		46,880		44,185

See accompanying notes to consolidated financial statements.

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ENTERTAINMENT PROPERTIES TRUST

Consolidated Statement of Changes in Equity

Six Months Ended June 30, 2011

(Unaudited)

(Dollars in thousands)

	Entertainment Properties Trust Shareholders									
	Common Stock		Preferred Stock		Additional paid-in capital	Treasury shares	Accumulated other comprehensive income	Distributions in excess of net income	Noncontrolling Interests	Total
	Shares	Par	Shares	Par						
Balance at December 31, 2010	47,769,422	$ 477	16,650,000	$ 167	$ 1,785,371	$ (39,762)	$ 38,842	$ (181,856)	$ 28,019	$ 1,631,258
Restricted share units issued to Trustees	10,519				502					502
Issuance of nonvested shares, including nonvested shares issued for the payment of bonuses	137,020	1			1,967					1,968
Amortization of nonvested shares					2,119					2,119
Share option expense					377					377
Foreign currency translation adjustment							9,558			9,558
Foreign currency translation gain reclassified from accumulated other comprehensive income into earnings from the substantial liquidation of foreign net assets							(23,236)			(23,236)
							(3,846)			(3,846)

Change in unrealized gain/loss on derivatives										
Loss reclassified from accumulated other comprehensive income into earnings from termination of interest rate swaps							4,586			4,586
Net income								41,733	2	41,735
Purchase of 66,368 common shares for treasury						(3,070)				(3,070)
Issuances of common shares	4,379				304					304
Stock option exercises, net	71,229	1			1,503	(2,002)				(498)
Dividends to common and preferred shareholders								(80,412)		(80,412)
Balance at June 30, 2011	47,992,569	$ 479	16,650,000	$ 167	$ 1,792,143	$ (44,834)	$ 25,904	$ (220,535)	$ 28,021	$ 1,581,345

See accompanying notes to consolidated financial statements.

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ENTERTAINMENT PROPERTIES TRUST

Consolidated Statements of Comprehensive Income

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net income	$ 2	$ 14,748	$ 41,735	$ 43,838
Other comprehensive income:				
Foreign currency translation adjustment	828	(15,637)	9,558	(6,849)
Change in unrealized gain (loss) on derivatives	(864)	4,122	(3,846)	400
Comprehensive income (loss)	(34)	3,233	47,447	37,389
Comprehensive loss (income) attributable to the noncontrolling interests		840	(2)	1,825
Comprehensive income (loss) attributable to Entertainment Properties Trust	$ (34)	$ 4,073	$ 47,445	$ 39,214

See accompanying notes to consolidated financial statements.

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ENTERTAINMENT PROPERTIES TRUST

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating activities:		
Net income	$ 41,735	$ 43,838
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses		700
Non-cash impairment charges	34,256	
Loss (income) from discontinued operations	(18,926)	7,855
Costs associated with loan refinancing (non-cash portion)	1,759	3,067
Equity in income from joint ventures	(1,555)	(656)
Distributions from joint ventures	1,304	855
Depreciation and amortization	24,135	22,144
Amortization of deferred financing costs	1,787	2,224
Share-based compensation expense to management and trustees	2,841	2,334
Decrease in restricted cash	1,649	1,159
Increase in mortgage notes accrued interest receivable		(828)
Decrease (increase) in accounts receivable, net	1,396	(2,360)
Decrease (increase) in notes receivable accrued interest	48	(685)
Increase in direct financing lease receivable	(2,553)	(2,337)
Increase in other assets	(2,378)	(2,878)
Increase in accounts payable and accrued liabilities	2,927	897
Increase (decrease) in unearned rents and interest	138	(383)
Net operating cash provided by continuing operations	88,563	74,946
Net operating cash provided (used) by discontinued operations	3,767	(303)
Net cash provided by operating activities	92,330	74,643
Investing activities:		
Acquisition of rental properties and other assets	(38,924)	(126,221)
Investment in unconsolidated joint ventures	(2,784)	(15,181)
Investment in mortgage notes receivable	(6,036)	(5,247)
Cash paid related to Cappelli settlement		(4,586)
Investment in direct financing lease, net	(2,113)	(44,232)
Additions to properties under development	(18,437)	(1,695)
Net cash used by investing activities of continuing operations	(68,294)	(197,162)
Net cash used by other investing activities of discontinued operations	(58)	(113,465)
Net proceeds from sale of real estate from discontinued operations	212,396	6,301
Net cash provided (used) by investing activities	144,044	(304,326)
Financing activities:		
Proceeds from long-term debt facilities	195,000	711,225
Principal payments on long-term debt	(345,352)	(533,251)
Deferred financing fees paid	(934)	(10,726)

Net proceeds from issuance of common shares	145	141,055
Impact of stock option exercises, net	(499)	(336)
Purchase of common shares for treasury	(3,070)	(2,182)
Contribution paid from noncontrolling interests		12
Dividends paid to shareholders	(77,951)	(70,803)
Net cash provided (used) by financing activities of continuing operations	(232,661)	234,994
Net cash used by financing activities of discontinued operations		(6,240)
Net cash provided (used) by financing activities	(232,661)	228,754
Effect of exchange rate changes on cash	251	(2,065)
Net increase (decrease) in cash and cash equivalents	3,964	(2,994)
Cash and cash equivalents at beginning of the period	11,776	23,138
Cash and cash equivalents at end of the period	$ 15,740	$ 20,144

Supplemental information continued on next page.

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ENTERTAINMENT PROPERTIES TRUST

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30, 2011	2010
Supplemental schedule of non-cash activity:		
Transfer of property under development to rental property	$ 4,552	$ 2,089
Acquisition of real estate in exchange for assumption of debt at fair value	$ 4,109	$
Issuance of nonvested shares and restricted share units at fair value, including nonvested shares issued for payment of bonuses	$ 6,785	$ 4,718
Receipt of 86,056 common shares in payment of shareholder loans	$	$ 3,261
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 36,025	$ 35,228
Cash paid during the period for income taxes	$ 632	$ 520

See accompanying notes to consolidated financial statements.

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ENTERTAINMENT PROPERTIES TRUST

Notes to Consolidated Financial Statements (Unaudited)

1. Organization

Description of Business

Entertainment Properties Trust (the Company) is a Maryland real estate investment trust (REIT) organized on August 29, 1997. The Company develops, owns, leases and finances megaplex theatres, entertainment retail centers (centers generally anchored by an entertainment component such as a megaplex theatre and containing other entertainment-related or retail properties), public charter schools and destination recreational and specialty properties. The Company s properties are located in the United States and Canada.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. In addition, operating results for the six month period ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The Company consolidates certain entities if it is deemed to be the primary beneficiary in a variable interest entity (VIE), as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic on Consolidation. The Topic on Consolidation requires the consolidation of VIEs in which an enterprise has a controlling financial interest. A controlling financial interest will have both of the following characteristics: the power to direct the activities of a VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This topic requires an ongoing reassessment of and eliminates the quantitative approach previously required for determining whether a company is the primary beneficiary and requires enhanced disclosures on variable interest entities. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary as defined in the Consolidation Topic of the FASB ASC, or does not have effective control, but can exercise influence over the entity with respect to its operations and major decisions.

The Company reports its noncontrolling interests as required by the Consolidation Topic of the FASB ASC. Noncontrolling interest is the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. Such noncontrolling interests are reported on the consolidated balance sheets within equity, separately from the Company s equity. On the consolidated statements of income, revenues, expenses and net income or loss from less-than-wholly-owned subsidiaries are reported at the consolidated amounts, including both the amounts attributable to the

Company and noncontrolling interests. Consolidated statements of changes in shareholders equity are included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for equity, noncontrolling interests and total equity. The Company does not have any redeemable noncontrolling interests under the scope of the Distinguishing Liabilities from Equity guidance of the FASB ASC.

The consolidated balance sheet as of December 31, 2010 has been derived from the audited consolidated balance sheet at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission (SEC) on March 1, 2011.

Revenue Recognition

Rents that are fixed and determinable are recognized on a straight-line basis over the minimum terms of the leases. Base rent escalation on leases that are dependent upon increases in the Consumer Price Index (CPI) is recognized when known. In addition, most of the Company s tenants are subject to additional rents if gross revenues of the properties exceed certain thresholds defined in the lease agreements (percentage rents). Percentage rents are recognized at the time when specific triggering events occur as provided by the lease agreements. Percentage rents of $523 thousand and $762 thousand were recognized for the six months ended June 30, 2011 and 2010, respectively. Lease termination fees are recognized when the related leases are canceled and the Company has no obligation to provide services to such former tenants. Termination fees of $1.0 million were recognized during the six months ended June 30, 2011. No termination fees were recognized during the six months ended June 30, 2010.

Direct financing lease income is recognized on the effective interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values at the date of lease inception represent management s initial estimates of fair value of the leased assets at the expiration of the lease, not to exceed original cost. Significant assumptions used in estimating residual values include estimated net cash flows over the remaining lease term and expected future real estate values. The Company evaluates on an annual basis (or more frequently if necessary) the collectability of its direct financing lease receivable and unguaranteed residual value to determine whether they are impaired. A direct financing lease receivable is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a direct financing lease receivable is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the direct financing lease receivable s effective interest rate or to the fair value of the underlying collateral, less costs to sell, if such receivable is collateralized.

Rental Properties

Rental properties are carried at cost less accumulated depreciation. Costs incurred for the acquisition and development of the properties are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which generally are estimated to be 40 years for buildings and 3 to 25 years for furniture, fixtures and equipment. Tenant improvements, including allowances, are depreciated over the shorter of the base term of the lease or the estimated useful life. Expenditures for ordinary maintenance and repairs are charged to operations in the period incurred. Significant renovations and improvements which improve or extend the useful life of the asset are capitalized and depreciated over their estimated useful life.

Management reviews a property for impairment whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. The review of recoverability is based on an estimate of undiscounted future cash flows expected to result from its use and eventual disposition. If impairment exists due to the inability to recover the carrying value of the property, an impairment loss is recorded to the extent that the carrying value of the property exceeds its estimated fair value.

Allowance for Doubtful Accounts

The Company makes quarterly estimates of the collectability of its accounts receivable related to base rents, tenant escalations (straight-line rents), reimbursements and other revenue or income. The Company specifically analyzes trends in accounts receivable, historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of its allowance for doubtful accounts. In addition, when customers are in bankruptcy, the Company makes estimates of the expected recovery of pre-petition administrative and damage claims. These estimates have a direct impact on the Company s net income.

Mortgage Notes and Other Notes Receivable

Mortgage notes and other notes receivable, including related accrued interest receivable, consist of loans originated by the Company and the related accrued and unpaid interest income as of the balance sheet date. Mortgage notes and other notes receivable are initially recorded at the amount advanced to the borrower and the Company defers certain loan origination and commitment fees, net of certain origination costs, and amortizes them over the term of the related loan. Interest income on performing loans is accrued as earned. The Company evaluates the collectability of both interest and principal of each of its loans to determine whether it is impaired. A loan is considered to be impaired when, based on current information and events, the Company determines that it is probable that it will be unable to collect all amounts due according to the existing contractual terms. An insignificant delay or shortfall in amounts of payments does not necessarily result in the loan being identified as impaired. When a loan is considered to be impaired, the amount of loss, if any, is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan s effective interest rate or to the fair value of the Company s interest in the underlying collateral, less costs to sell, if the loan is collateral dependent. For impaired loans, interest income is recognized on a cash basis, unless the Company determines based on the loan to estimated fair value ratio the loan should be on the cost recovery method, and any cash payments received would then be reflected as a reduction of principal. Interest income recognition is recommenced if and when the impaired loan becomes contractually current and performance is demonstrated to be resumed.

Concentrations of Risk

American Multi-Cinema, Inc. (AMC) is the lessee of a substantial portion (36%) of the megaplex theatre rental properties held by the Company (including joint venture properties) at June 30, 2011 as a result of a series of sale leaseback transactions pertaining to a number of AMC megaplex theatres. A substantial portion of the Company s total revenues (approximately $52.8 million or 36% and $53.2 million or 38% for the six months ended June 30, 2011 and 2010, respectively) result from the revenue by AMC under the leases, or its parent, AMC Entertainment, Inc. (AMCE), as the guarantor of AMC s obligations under the leases. AMCE had total assets of $3.7 billion and $3.7 billion, total liabilities of $3.4 billion and $2.9 billion and total stockholders equity of $360 million and $761 million at March 31, 2011 and April 1, 2010, respectively. AMCE had a net loss of $122.9 million for the fifty-two weeks ended March 31, 2011, net earnings of $69.8 million for the fifty-two weeks ended

April 1, 2010 and a net loss of $81.2 million for the fifty-two weeks ended April 2, 2009. AMCE has publicly held debt and the foregoing financial information was reported in its consolidated financial information which is publicly available.

For the six months ended June 30, 2011 and 2010, approximately $21.5 million or 15%, and $20.2 million or 14%, respectively, of total revenue was derived from the Company s four entertainment retail centers in Ontario, Canada. The Company acquired Toronto Dundas Square, a 13-level entertainment retail center located in downtown Toronto, consisting of 330,000 square feet of net rentable area and a signage business consisting of 25,000 square feet of digital and static signage, on March 4, 2010. As further described in Note 5, on March 29, 2011, the Company sold this entertainment retail center and accordingly, the results of operations of the property have been classified within discontinued operations. The Company s wholly owned subsidiaries that hold the four Canadian entertainment retail centers and third-party debt represent approximately $152.4 million or 10% of the Company s net assets as of June 30, 2011. The Company s wholly owned subsidiaries that hold the Canadian entertainment retail centers (including Toronto Dundas Square) and third-party debt represent approximately $355.2 million or 22% of the Company s net assets as of December 31, 2010.

Share-Based Compensation

Share-based compensation to employees of the Company is determined pursuant to the Annual Incentive Program and the Long-Term Incentive Plan. Share-based compensation to non-employee Trustees of the Company is determined pursuant to the director compensation program. Prior to May 9, 2007, all common shares and options to purchase common shares (share options) were issued under the 1997 Share Incentive Plan. The 2007 Equity Incentive Plan was approved by shareholders at the May 9, 2007 annual meeting and this plan replaced the 1997 Share Incentive Plan.

Share based compensation expense consists of share option expense, amortization of nonvested share grants, and shares and share units issued to non-employee Trustees for payment of their annual retainers. Share based compensation is included in general and administrative expense in the accompanying consolidated statements of income, and totaled $2.8 million and $2.3 million for the six months ended June 30, 2011 and 2010, respectively.

Share Options

Share options are granted to employees pursuant to the Long-Term Incentive Plan and to non-employee Trustees for their service to the Company. The fair value of share options granted is estimated at the date of grant using the Black-Scholes option pricing model. Share options granted to employees vest over a period of four to five years and share option expense for these options is recognized on a straight-line basis over the vesting period. Share options granted to non-employee Trustees vest immediately but may not be exercised for a period of one year from the grant date. Share option expense for non-employee Trustees is recognized on a straight-line basis over the year of service by the non-employee Trustees.

The expense related to share options included in the determination of net income for the six months ended June 30, 2011 and 2010 was $377 thousand and $332 thousand, respectively. The following assumptions were used in applying the Black-Scholes option pricing model at the grant dates: risk-free interest rate of 2.5% to 3.1% and 2.6% to 3.1% for the six months ended June 30, 2011 and 2010, respectively, dividend yield of 6.4% and 6.6% for the six months ended June 30, 2011 and 2010, respectively, volatility factors in the expected market price of the Company s common shares of 39.8% and 39.5% for the six months ended June 30, 2011 and 2010, respectively, no expected forfeitures and an expected life of eight years. The Company uses historical data to estimate the expected life of the option and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Additionally, expected volatility is computed based on the average historical volatility of the Company s publicly traded shares.

Nonvested Shares Issued to Employees

The Company grants nonvested shares to employees pursuant to both the Annual Incentive Program and the Long-Term Incentive Plan. The Company amortizes the expense related to the nonvested shares awarded to employees under the Long-Term Incentive Plan and the premium awarded under the nonvested share alternative of the Annual Incentive Program on a straight-line basis over the future vesting period (three to five years). Total expense recognized related to shares issued to employees was $2.1 million and $1.8 million for the six months ended June 30, 2011 and 2010, respectively.

Restricted Share Units Issued to Non-Employee Trustees

The Company issues restricted share units to non-employee Trustees for payment of their annual retainers. The fair value of the share units granted was based on the share price at the date of grant. The share units vest upon the earlier of the day preceding the next annual meeting of shareholders or a change of control. The settlement date for the shares is selected by the non-employee Trustee, and ranges from one year from the grant date to upon termination of service. This expense was amortized by the Company on a straight-line basis over the year of service by the non-employee Trustees. Total expense recognized related to shares issued to non-employee Trustees was $241 thousand and $209 thousand for the six months ended June 30, 2011 and 2010, respectively.

Derivative Instruments

The Company has acquired certain derivative instruments to reduce exposure to fluctuations in foreign currency exchange rates and variable interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. These derivatives consist of foreign currency forward contracts, cross currency swaps and interest rate swaps.

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Reclassifications

Certain reclassifications have been made to the prior period amounts to conform to the current period presentation.

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3. Rental Properties

The following table summarizes the carrying amounts of rental properties as of June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Buildings and improvements	$ 1,580,455	$ 1,707,181
Furniture, fixtures & equipment	57,123	71,866
Land	494,937	537,929
	2,132,515	2,316,976
Accumulated depreciation	(316,580)	(296,785)
Total	$ 1,815,935	$ 2,020,191

Depreciation expense on rental properties was $22.7 million and $21.8 million for the six months ended June 30, 2011 and 2010, respectively.

4. Impairment Charges

The Company entered into an agreement in the second quarter of 2011 to sell one of its vineyard and winery properties. During the three months ended March 31, 2011, the Company recorded an impairment charge of $1.8 million, which is the amount that the carrying value of the assets exceeds the estimated fair market value. The sale of this property is expected to close within a year. This asset has been classified as held for sale in the accompanying consolidated balance sheet and the results of operations have been classified within discontinued operations. See Note 15 for further details.

During the three months ended June 30, 2011, the Company engaged outside brokers to list all of its winery and vineyard properties for sale or lease with the primary focus on selling all of these assets within the next two years. Management estimated the fair values of these properties taking into account various factors, including the shortened holding period, current market conditions as well as independent appraisals prepared as of June 30, 2011 for most of the properties utilizing a leased fee or fee simple approach as applicable. It was determined that the carrying value of seven of the Company s vineyard and winery properties exceeded the estimated fair values by $34.3 million, and an impairment charge was recorded in the second quarter for this amount.

5. Investments and Dispositions

On January 31, 2011, the Company funded $2.1 million in development costs for expansion of one of its existing public charter school properties. This amount is included in investment in direct financing lease, net in the accompanying consolidated balance sheet which is further discussed in Note 6.

On March 3, 2011, the Company acquired four theatre properties for a total investment of $36.8 million pursuant to a sale-leaseback transaction. The theatre properties are located in New Hampshire and Maine and contain an aggregate of 56 screens. The theatre properties are leased to Cinemagic pursuant to lease agreements that are structured as a triple net lease with the tenant responsible for all taxes, costs and expenses arising from the use or operation of the properties. As a part of this transaction, the Company assumed a mortgage note payable on one of the four theatres with an outstanding balance of $3.8 million and a fair value of $4.1 million at the acquisition date. See Note 9 for further discussion of this mortgage note payable.

On March 22, 2011, the Company purchased one public charter school property from a third-party for a total investment of $4.3 million. The property is located in Louisiana and is leased to the Charter Schools Development Corporation. As a part of this transaction, the Company has agreed to finance an additional $2.3 million in redevelopment costs for this property. This public charter school is leased to Charter Schools Development Corporation under a long-term triple-net lease that will commence upon completion of the development.

On March 29, 2011 the Company sold its Toronto Dundas Square entertainment retail center and related signage business in downtown Toronto. The gross sale proceeds were approximately $226 million Canadian (CAD) and the net sales proceeds, after selling costs, were $222.7 million CAD. The acquirer did not purchase any of the pre-acquisition receivables, payables or accrued liabilities and the purchase and sale agreement called for the establishment of $15.3 million CAD of escrow accounts primarily for the payment of previously accrued property taxes. This amount has been netted against the net proceeds from sale of real estate from discontinued operations in the consolidated statement of cash flows for the six months ended June 30, 2011. As of June 30, 2011, the Company s consolidated balance sheet includes $16.3 million CAD of assets and $15.5 million CAD of liabilities related to Toronto Dundas Square; however, the Company has no significant continuing involvement with the ownership or operation of the project. The net proceeds from this sale, after the aforementioned escrows, were converted to U.S. dollars primarily through a foreign currency forward contract that was entered into on February 3, 2011 and designated as a net investment hedge. This forward contract allowed the Company to sell $200 million CAD for $201.5 million U.S. The Company used the proceeds to pay down its revolving line of credit and recorded a net gain of $18.3 million U.S., including the impact of foreign currency and the settlement of the forward contract. The results of operations of the project have been classified within discontinued operations retroactively through the first quarter of 2010 as the project was purchased on March 4, 2010. See Note 15 for further details.

In conjunction with the sale by Ascentia Wine Estates (Ascentia) of the Gary Farrell brand and related inventory assets on April 28, 2011, the Company elected to sell its winery assets to the same buyer. As a result, the Company terminated its lease on these assets with Ascentia and was paid $2.0 million in outstanding receivables and a $1.0 million lease termination fee that is included in income from discontinued operations in the accompanying consolidated statements of income for the three and six months ended June 30, 2011. In addition, the Company received $6.5 million from the buyer for its winery assets, which was equal to the net book value of such assets. This transaction was contemplated by the modification agreement between the Company and Ascentia dated January 13, 2011. The results of operations of this property have been classified within discontinued operations. See Note 15 for further details.

During the second quarter of 2011, the Company completed three public charter school transactions with HighMark School Development (HighMark); one located in Arizona and two in Colorado. The Company acquired the development land and any existing buildings for a combined purchase price of $3.2 million. As a part of these transactions, the Company has agreed to finance an additional combined $16.7 million in development costs for these properties. These public charter schools are leased to HighMark under long-term triple-net leases that will commence upon completion of the developments.

On June 15, 2011, the Company completed one public charter school transaction with Phoenix Charter Properties, LLC located in Arizona. The Company acquired development land for $1.0 million and has agreed to finance an additional $4.4 million in development costs for this property. This public charter school is leased to Phoenix Charter Properties, LLC under a long-term triple-net lease that will commence upon completion of the development.

On June 15, 2011, the Company completed one public charter school transaction with American Leadership Academy (ALA) located in Arizona. The Company acquired land and an existing school for $4.4 million and has agreed to finance an additional $4.8 million in development costs for this property. This public charter school is leased to ALA under a long-term triple-net lease that will commence upon completion of the development.

During the six months ended June 30, 2011, the Company advanced $6.0 million under its secured mortgage loan agreements with SVV I, LLC and an affiliate of SVV I, LLC (together SVVI) to provide for additional improvements made to the Kansas City, Kansas and Texas water-parks. The carrying value of this mortgage note receivable at June 30, 2011 was $175.0 million.

6. Investment in a Direct Financing Lease

Investment in a direct financing lease relates to the Company s master lease with Imagine Schools, Inc. of 27 public charter school properties. Investment in a direct financing lease, net, represents estimated unguaranteed residual values of leased assets and net unpaid rentals, less related deferred income. The following table summarizes the carrying amounts of investment in a direct financing lease, net as of June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Total minimum lease payments receivable	$ 695,084	$ 699,069
Estimated unguaranteed residual value of leased assets	215,988	213,885
Less deferred income [(1)]	(679,973)	(686,521)
Investment in a direct financing lease, net	$ 231,099	$ 226,433

(1) Deferred income is net of $1.8 million of initial direct costs.

Additionally, the Company has determined that no allowance for losses was necessary at June 30, 2011 and December 31, 2010.

The Company s direct financing lease has expiration dates ranging from approximately 21 to 23 years. Future minimum rentals receivable on this direct financing lease at June 30, 2011 are as follows (in thousands):

	Amount
Year:	
2011	$ 11,431
2012	23,340
2013	24,041
2014	24,762
2015	25,505
Thereafter	586,005
Total	$ 695,084

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7. Accounts Receivable, Net

The following table summarizes the carrying amounts of accounts receivable, net as of June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Receivable from tenants	$ 8,400	$ 11,634
Receivable from non-tenants	122	155
Receivable from Canada Revenue Agency	1,835	3,293
Straight-line rent receivable	26,760	27,003
Deferred rent receivable (1)	4,420	4,420
Allowance for doubtful accounts	(6,554)	(6,691)
Total	$ 34,983	$ 39,814

(1) Rent deferral payments of $3.4 million are guaranteed by a private equity firm. During the year ended December 31, 2010, the Company also granted an additional rent deferral of $1.0 million that is not guaranteed by the private equity firm. This amount has been fully reserved at June 30, 2011. Rent deferral payments are due on or before June 9, 2012 and bear interest at 8.7%.

8. Unconsolidated Real Estate Joint Ventures

At June 30, 2011, the Company had a 32.8% and 25.7% investment interest in two unconsolidated real estate joint ventures, Atlantic-EPR I and Atlantic-EPR II, respectively. The Company accounts for its investment in these joint ventures under the equity method of accounting.

On May 1, 2010, the Company contributed an additional $14.9 million in equity to Atlantic-EPR I to pay off the Partnership s long-term debt at its maturity. Pursuant to the partnership agreement, the Company is entitled to earn a priority return of 15% on its additional contribution. Accordingly, the Company recognized income of $1,362 and $627 (in thousands) from its investment in the Atlantic-EPR I joint venture during the first six months of 2011 and 2010, respectively. The Company also received distributions from Atlantic-EPR I of $1,105 and $644 (in thousands) during the first six months of 2011 and 2010, respectively. Unaudited condensed financial information for Atlantic-EPR I is as follows as of and for the six months ended June 30, 2011 and 2010 (in thousands):

	2011	2010
Rental properties, net	$ 26,346	26,990
Cash	1,178	
Partners equity	27,634	27,141
Rental revenue	2,283	2,238
Net income	816	1,088

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The Company recognized income of $182 and $177 (in thousands) from its investment in the Atlantic-EPR II joint venture during the first six months of 2011 and 2010, respectively. The Company also received distributions from Atlantic-EPR II of $199 and $198 (in thousands) during the first six months of 2011 and 2010, respectively. Unaudited condensed financial information for Atlantic-EPR II is as follows as of and for the six months ended June 30, 2011 and 2010 (in thousands):

	2011	2010
Rental properties, net	$ 20,807	21,267
Cash	231	144
Long-term debt (due September 2013)	12,413	12,776
Note payable to Entertainment Properties Trust	117	117
Partners equity	8,140	8,260
Rental revenue	1,444	1,444
Net income	679	700

The joint venture agreements for Atlantic-EPR I and Atlantic-EPR II allow the Company s partner, Atlantic of Hamburg, Germany (Atlantic), to exchange up to a maximum of 10% of its ownership interest per year in each of the joint ventures for common shares of the Company or, at the Company s discretion, the cash value of those shares as defined in each of the joint venture agreements. During 2010, the Company paid Atlantic cash of $627 and $186 (in thousands) in exchange for additional ownership of 2.9% and 1.6% for Atlantic-EPR I and Atlantic-EPR II, respectively. During 2011, the Company has paid Atlantic cash of $713 and $258 (in thousands) in exchange for additional ownership of 3.1% and 2.0% for Atlantic-EPR I and Atlantic-EPR II, respectively. These exchanges did not impact total partners equity in either Atlantic-EPR I or Atlantic-EPR II.

In addition, as of June 30, 2011 and December 31, 2010, the Company had invested $4.2 million and $2.9 million, respectively, in unconsolidated joint ventures for three theatre projects located in China. The Company recognized income of $11 and a loss of $148 (in thousands) from its investment in these joint ventures for the six months ended June 30, 2011 and 2010, respectively.

9. Long-Term Debt

On February 7, 2011, the Company paid in full the eight term loans outstanding under its vineyard and winery facility totaling $86.2 million. In connection with the payment in full of the term loans, the related interest rate swaps were terminated at a cost of $4.6 million. Additionally, deferred financing costs, net of accumulated amortization, of $1.8 million were written off as part of this loan prepayment.

On March 3, 2011, the Company assumed a mortgage note payable of $3.8 million in conjunction with the acquisition of a theatre property. The note matures on July 1, 2017 and requires monthly principal and interest payments of approximately $28 thousand with a final principal payment at maturity of approximately $3.2 million. The note was recorded at fair value upon acquisition which was estimated to be $4.1 million. The fair value of the note was determined by discounting the future cash flows of the note using an estimated current market rate of 5.29%. Based on this input, the Company determined that its valuation of this note was classified within Level 2 of the fair value hierarchy.

During March 2011, the Company exercised a portion of the accordion feature on its unsecured revolving credit facility. As a result of this exercise, the Company s unsecured revolving credit facility capacity has been expanded from $320 million to $382.5 million.

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On June 22,2011, the Company completed its offer to exchange its $250 million aggregate principal amount of 7.750% senior notes due 2020, which were issued in a private placement (the original notes), for an equal principal amount of its 7.750% senior notes due 2020, which have been registered under the Securities Act of 1933, as amended. Pursuant to the exchange offer, $250 million aggregate principal amount, or 100%, of the original notes were validly tendered and accepted for exchange. The exchange offer was made to satisfy the Company s obligations under a registration rights agreement entered into on June 30, 2010 in connection with the issuance of the original notes, and does not represent a new financing transaction.

10. Variable Interest Entities

The Company s variable interest in VIEs currently are in the form of equity ownership and loans provided by the Company to a VIE or other partner. The Company examines specific criteria and uses its judgment when determining if the Company is the primary beneficiary of a VIE. Factors considered in determining whether the Company is the primary beneficiary include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE s executive committee, existence of unilateral kick-out rights or voting rights, and level of economic disproportionality between the Company and the other partner(s).

Consolidated VIEs

As of June 30, 2011, the carrying amounts of the VIEs assets that were consolidated totaled $22.6 million. Those assets are owned by the VIEs, not the Company. A VIE s assets can only be used to settle obligations of a VIE. The VIEs are not guarantors of the Company s debts. In addition, the assets held by a VIE usually are collateral for that VIE s debt, if any.

The Company s consolidated VIEs consist of a 50% interest in Suffolk Retail LLC, which owns an entertainment retail center in Suffolk, Virginia as well as two other 50% joint ventures to explore certain investment opportunities.

Unaudited financial information including the carrying amounts and classification of these VIEs significant assets and liabilities are as follows as of and for the six months ended June 30, 2011(in thousands):

Rental properties, net	$ 18,801
Property under development	2,993
Other assets	754
Total assets	22,607
Total liabilities	101
Noncontrolling interests	4
Total revenue	665
Net income	42

Unconsolidated VIE

At June 30, 2011, the Company s recorded investment in SVVI, a VIE that is unconsolidated, was $175.0 million. The Company s maximum exposure to loss associated with SVVI is limited to a total of $178.5 million, which is the amount committed by the Company per the mortgage note agreements.

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While this entity is a VIE, the Company has determined that the power to direct the activities of the VIE that most significantly impact the VIE s economic performance is not held by the Company. The Company does not have the power to direct these activities. Additionally, the Company does not have the right to receive benefits (beyond its interest payments per the note agreement) and does not have the obligation to absorb losses of SVVI, as its equity at risk is limited to the amount invested in the note.

11. Derivative Instruments

Risk Management Objective of Using Derivatives

The Company is exposed to the effect of changes in foreign currency exchange rates and interest rates on its LIBOR based borrowings. The Company limits this risk by following established risk management policies and procedures including the use of derivatives. The Company s objective in using derivatives is to add stability to reported earnings and to manage its exposure to foreign exchange and interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps, cross currency swaps and foreign currency forwards.

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements on its LIBOR based borrowings. To accomplish this objective, the Company has used interest rate swaps as its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

During the year ended December 31, 2010, the Company terminated three of its interest rate swap agreements in connection with the payoff of the related debt. These interest rate swaps had a combined outstanding notional amount of $118.6 million at termination and $8.7 million was reclassified into earnings as an expense during the year ended December 31, 2010, as the forecasted future transactions were no longer probable. On February 7, 2011, the remaining interest rate swap agreements were terminated as the related loan agreements were paid in full. These interest rate swaps had a combined notional amount of $87.7 million at termination and $4.6 million was reclassified into earnings as an expense during the six months ended June 30, 2011, as the forecasted future transactions were no longer probable.

Cash Flow Hedges of Foreign Exchange Risk

The Company is exposed to foreign currency exchange risk against its functional currency, the U.S. dollar, on its four Canadian properties. The Company uses cross currency swaps and foreign currency forwards to mitigate its exposure to fluctuations in the CAD to U.S. dollar exchange rate on its Canadian properties. These foreign currency derivatives should hedge a significant portion of the Company s expected CAD denominated cash flow of the Canadian properties through February 2014 as their impact on the Company s cash flow when settled should move in the opposite direction of the exchange rates utilized to translate revenues and expenses of these properties.

At June 30, 2011, the Company s cross-currency swaps had a fixed notional value of $76.0 million CAD and $71.5 million U.S. The net effect of these swaps is to lock in an exchange rate of $1.05 CAD per U.S. dollar on approximately $13 million of annual CAD denominated cash flows on the properties.

Additionally, the Company has entered into foreign currency forward agreements to hedge the currency fluctuations related to the cash flows of these properties. These foreign currency forwards settle at the end of each month from April to December 2011 and lock in an exchange rate of $0.99 CAD per U.S. dollar on approximately $500 thousand of monthly CAD denominated cash flows.

The effective portion of changes in the fair value of foreign currency derivatives designated and that qualify as cash flow hedges of foreign exchange risk is recorded in accumulated other comprehensive income (AOCI) and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivative, as well as amounts excluded from the assessment of hedge effectiveness, is recognized directly in earnings. No hedge ineffectiveness on foreign currency derivatives has been recognized for the six months ended June 30, 2011.

Net Investment Hedges

As discussed above, the Company is exposed to fluctuations in foreign exchange rates on its four Canadian properties. As such, the Company uses currency forward agreements to hedge its exposure to changes in foreign exchange rates. Currency forward agreements involve fixing the CAD to U.S. dollar exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward agreements are typically cash settled in US dollars for their fair value at or close to their settlement date. In order to hedge the net investment in four of the Canadian properties, the Company entered into a forward contract with a fixed notional value of $100 million CAD and $96.1 million U.S. with a February 2014 settlement which coincides with the maturity of the Company s underlying mortgage on these properties. The exchange rate of this forward contract is approximately $1.04 CAD per U.S. dollar. This forward contract should hedge a significant portion of the Company s CAD denominated net investment in these four centers through February 2014 as the impact on AOCI from marking the derivative to market should move in the opposite direction of the translation adjustment on the net assets of these four Canadian properties.

In addition, on February 3, 2011, in order to hedge the foreign currency exposure related to the proceeds from the March 29, 2011 sale of a Canadian property, the Company entered into a forward contract to sell $200 million CAD for $201.5 million U.S. dollars. The contract settled in conjunction with the sale of the property on March 29, 2011 and the $4.3 million loss related to the settlement was recognized with the gain on sale of the property.

For foreign currency derivatives designated as net investment hedges, the effective portion of changes in the fair value of the derivatives are reported in AOCI as part of the cumulative translation adjustment. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. No hedge ineffectiveness on net investment hedges has been recognized for the six months ended June 30, 2011. Amounts are reclassified out of AOCI into earnings when the hedged net investment is either sold or substantially liquidated.

See Note 12 for disclosure relating to the fair value of the Company s derivative instruments. Below is a summary of the effect of derivative instruments on the consolidated statements of changes in equity and income for the three and six months ended June 30, 2011 and 2010:

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Effect of Derivative Instruments on the Consolidated Statements of Changes in Equity and

Income for the Three and Six Months Ended June 30, 2011 and 2010

(Unaudited, dollars in thousands)

Description	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest Rate Swaps				
Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)		(12,905)	(4,125)	(16,022)
Amount of Income (Expense) Reclassified from AOCI into Earnings (Effective Portion)*		(10,424)	(4,722)	(12,230)
Amount of Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)				
Cross Currency Swaps				
Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	(339)	2,173	(1,479)	1,004
Amount of Income (Expense) Reclassified from AOCI into Earnings (Effective Portion)**	(286)	(21)	(499)	(28)
Amount of Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)				
Currency Forward Agreements				
Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	(863)	4,409	(7,777)	3,160
Amount of Income (Expense) Reclassified from AOCI into Earnings (Effective Portion)***	(52)		(4,314)	
Amount of Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)				
Total				
Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	(1,202)	(6,323)	(13,381)	(11,858)
Amount of Income (Expense) Reclassified from AOCI into Earnings (Effective Portion)	(338)	(10,445)	(9,535)	(12,258)
Amount of Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)				

* $4.6 million included in Costs associated with loan refinancing and $137 thousand included in Interest expense in the accompanying consolidated statements of income for the six months ended June 30, 2011. $8.7 million included in Costs associated with loan refinancing in the accompanying consolidated statements of income for the three and six months ended June 30, 2010. $1.7 million and $3.6 million included in Interest expense in the accompanying consolidated statements of income for the three and six months ended June 30, 2010, respectively.

** Included in Other expense in the accompanying consolidated statements of income.

*** $4.3 million included in Gain on sale of real estate in the accompanying consolidated statements of income for the six months ended June 30, 2011. $52 thousand included in Other expense in the accompanying consolidated statements of income for the three and six months ended June 30, 2011.

Credit-Risk-Related Contingent Features

As of June 30, 2011, the fair value of the Company s derivatives in a liability position related to these agreements was $7.5 million. If the Company breached any of the contractual provisions of the derivative contracts, it would be required to settle its obligations under the agreements at their termination value of $7.6 million.

12. Fair Value Disclosures

The Company has certain financial instruments that are required to be measured under the FASB s Fair Value Measurements and Disclosures guidance. The Company currently does not have any non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

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As a basis for considering market participant assumptions in fair value measurements, the FASB s Fair Value Measurements and Disclosures guidance establishes 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). 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. The Company s 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.

Derivative Financial Instruments

The Company uses interest rate swaps, foreign currency forwards and cross currency swaps to manage its interest rate and foreign currency 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, including interest rate curves, foreign exchange rates, and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives also utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2011, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives and therefore, has classified its derivatives as Level 2 within the fair value reporting hierarchy.

The table below presents the Company s liabilities measured at fair value on a recurring basis as of June 30, 2011, aggregated by the level in the fair value hierarchy within which those measurements are classified and by derivative type.

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Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2011

(Unaudited, dollars in thousands)

Description	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Cross Currency Swaps*	$	$ (2,394)	$	$ (2,394)
Currency Forward Agreements*	$	$ (5,109)	$	$ (5,109)

* Included in Accounts payable and accrued liabilities in the accompanying consolidated balance sheet.

Non-Recurring Fair Value Measurements

The table below presents the Company s assets and liabilities measured at fair value on a non-recurring basis as of June 30, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis at June 30, 2011

(Unaudited, dollars in thousands)

Description	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Rental properties, net	$	$	$ 134,186	$ 134,186
Long-term debt	$	$ 4,068	$	$ 4,068

As further discussed in Note 4, During the six months ended June 30, 2011, the Company recorded impairment charges of $36.1 million relating to adjustments to the carrying value of several of the Company s winery and vineyard properties. The adjustment is the amount that the carrying value of the assets exceeds the estimated fair market value. Management estimated the fair values of these properties taking into account various factors, including the shortened holding period, current market conditions as well as independent appraisals prepared as of June 30, 2011 for most of the properties utilizing a leased fee or fee simple approach as applicable. Based on this input, the Company determined that its valuation of this investment was classified within Level 3 of the fair value hierarchy.

On March 3, 2011, the Company assumed a mortgage note payable of $3.8 million in conjunction with the acquisition of a theatre property. The note was recorded at fair value upon acquisition which was estimated to be $4.1 million. The fair value of the note was determined by discounting the future cash flows of the note using an estimated current market rate of 5.29%. Based on this input, the Company determined that its valuation of this note was classified within Level 2 of the fair value hierarchy.

Fair Value of Financial Instruments

Management compares the carrying value and the estimated fair value of the Company s financial instruments. The following methods and assumptions were used by the Company to estimate the fair value of each class of financial instruments at June 30, 2011:

Mortgage notes receivable and related accrued interest receivable:

The fair value of the Company s mortgage notes and related accrued interest receivable is estimated by discounting the future cash flows of each instrument using current market rates. At June 30, 2011, the Company had a carrying value of $311.4 million in fixed rate mortgage notes receivable outstanding, including related accrued interest, with a weighted average interest rate of approximately 8.42%. The fixed rate mortgage notes bear interest at rates of 7.00% to 10.46%. Discounting the future cash flows for fixed rate mortgage notes receivable using an estimated weighted average market rate of 10.04%, management estimates the fair value of the fixed rate mortgage notes receivable to be approximately $284.0 million at June 30, 2011.

Investment in a direct financing lease, net:

The fair value of the Company s investment in a direct financing lease as of June 30, 2011 is estimated by discounting the future cash flows of the instrument using current market rates. At June 30, 2011, the Company had an investment in a direct financing lease with a carrying value of $231.1 million and a weighted average effective interest rate of 12.02%. The investment in direct financing lease bears interest at effective interest rates of 11.93% to 12.38%. The carrying value of the investment in a direct financing lease approximates the fair market value at June 30, 2011.

Cash and cash equivalents, restricted cash:

Due to the highly liquid nature of our short term investments, the carrying values of our cash and cash equivalents and restricted cash approximate the fair market values.

Accounts receivable, net:

The carrying values of accounts receivable approximate the fair market value at June 30, 2011.

Notes and related accrued interest receivable, net:

The fair value of the Company s notes and related accrued interest receivable as of June 30, 2011 is estimated by discounting the future cash flows of each instrument using current market rates. At June 30, 2011, the Company had a carrying value of $5.1 million in fixed rate notes receivable outstanding, including related accrued interest and net of loan loss reserve, with a weighted average interest rate of approximately 8.40%. The fixed rate notes bear interest at rates of 6.00% to 15.00%. Discounting the future cash flows for fixed rate notes receivable using an estimated market rate of 9.41%, management estimates the fair value of the fixed rate notes receivable to be approximately $4.9 million at June 30, 2011.

Derivative instruments:

Derivative instruments are carried at their fair market value.

Debt instruments:

The fair value of the Company s debt as of June 30, 2011 is estimated by discounting the future cash flows of each instrument using current market rates. At June 30, 2011, the Company had a carrying value of $100.6 million in variable rate debt outstanding with an average weighted interest rate of approximately 2.87%. The carrying value of the variable rate debt outstanding approximates the fair market value at June 30, 2011.

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At June 30, 2011, the Company had a carrying value of $938.3 million in fixed rate long-term debt outstanding with an average weighted interest rate of approximately 6.54%. Discounting the future cash flows for fixed rate debt using an estimated market rate of 4.65%, management estimates the fair value of the fixed rate debt to be approximately $1.0 billion at June 30, 2011.

At June 30, 2011, the Company had a capital lease obligation with a carrying value of $9.2 million. The carrying value of the capital lease obligation approximates the fair market value at June 30, 2011.

Accounts payable and accrued liabilities:

The carrying value of accounts payable and accrued liabilities approximates fair value due to the short term maturities of these amounts.

Common and preferred dividends payable:

The carrying values of common and preferred dividends payable approximate fair value due to the short term maturities of these amounts.

13. Earnings Per Share

The following table summarizes the Company s computation of basic and diluted earnings per share (EPS) for the three and six months ended June 30, 2011 and 2010 (unaudited, amounts in thousands except per share information):

	Three Months Ended June 30, 2011			Six Months Ended June 30, 2011		
	Income (numerator)	**Shares (denominator)**	**Per Share Amount**	**Income (numerator)**	**Shares (denominator)**	**Per Share Amount**
Basic EPS:						
Income (loss) from continuing operations	$ (984)			$ 22,809		
Less: preferred dividend requirements	(7,551)			(15,103)		
Noncontrolling interest adjustments				(2)		
Income (loss) from continuing operations available to common shareholders	$ (8,535)	46,648	$ (0.18)	$ 7,704	46,576	$ 0.17
Income from discontinued operations available to common shareholders	$ 986			$ 18,926		
Noncontrolling interest adjustments						
Income from discontinued operations	$ 986	46,648	0.02	$ 18,926	46,576	0.40
Net income (loss) available to common shareholders	$ (7,549)	46,648	$ (0.16)	$ 26,630	46,576	$ 0.57
Diluted EPS:						
Income (loss) from continuing operations available to common shareholders	$ (8,535)	46,648		$ 7,704	46,576	
Effect of dilutive securities:						
Share options					304	
Income (loss) from continuing operations available to common shareholders	$ (8,535)	46,648	$ (0.18)	$ 7,704	46,880	$ 0.17
Income from discontinued operations available to common shareholders	$ 986	46,648	$ 0.02	$ 18,926	46,880	$ 0.40

Net income (loss) available to common shareholders	$ (7,549)	46,648	$ (0.16)	$ 26,630	46,880	$ 0.57

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	Three Months Ended June 30, 2010 Income (numerator)	Shares (denominator)	Per Share Amount	Six Months Ended June 30, 2010 Income (numerator)	Shares (denominator)	Per Share Amount
Basic EPS:						
Income from continuing operations	$ 21,190			$ 51,693		
Less: preferred dividend requirements	(7,552)			(15,103)		
Noncontrolling interest adjustments	(32)			(80)		
Income from continuing operations available to common shareholders	$ 13,606	44,869	$ 0.30	$ 36,510	43,865	$ 0.83
Loss from discontinued operations available to common shareholders	$ (6,442)			$ (7,855)		
Noncontrolling interest adjustments	872			1,905		
Loss from discontinued operations	$ (5,570)	44,869	(0.12)	$ (5,950)	43,865	(0.13)
Net income available to common shareholders	$ 8,036	44,869	$ 0.18	$ 30,560	43,865	$ 0.70
Diluted EPS:						
Income from continuing operations available to common shareholders	$ 13,606	44,869		$ 36,510	43,865	
Effect of dilutive securities:						
Share options		345			320	
Income from continuing operations available to common shareholders	$ 13,606	45,214	$ 0.30	$ 36,510	44,185	$ 0.83
Loss from discontinued operations available to common shareholders	$ (5,570)	45,214	$ (0.12)	$ (5,950)	44,185	$ (0.14)
Net income available to common shareholders	$ 8,036	45,214	$ 0.18	$ 30,560	44,185	$ 0.69

The dilutive effect of potential common shares from the exercise of share options is included in diluted earnings per share except in those periods with a loss from continuing operations. For the three months ended June 30, 2011, there were 308 thousand potential common shares from the exercise of share options that were excluded from the calculation of diluted earnings per share as the effect was anti-dilutive.

The additional 1.9 million common shares that would result from the conversion of the Company s 5.75% Series C cumulative convertible preferred shares and the additional 1.6 million common shares that would result from the conversion of the Company s 9.0% Series E cumulative convertible preferred shares and the corresponding add-back of the preferred dividends declared on those shares are not included in the calculation of diluted earnings per share for the three and six months ended June 30, 2011 and 2010 because the effect is anti-dilutive.

14. Equity Incentive Plans

All grants of common shares and options to purchase common shares were issued under the 1997 Share Incentive Plan prior to May 9, 2007, and under the 2007 Equity Incentive Plan on and after May 9, 2007. Under the 2007 Equity Incentive Plan, an aggregate of 1,950,000 common shares, options to purchase common shares and restricted share units, subject to adjustment in the event of certain capital events, may be granted. At June 30, 2011, there were 675,941 shares available for grant under the 2007 Equity Incentive Plan.

Share Options

Share options granted under both the 1997 Share Incentive Plan and the 2007 Equity Incentive Plan have exercise prices equal to the fair market value of a common share at the date of grant. The options may be granted for any reasonable term, not to exceed 10 years, and for employees typically become exercisable at a rate of 25% per year over a four year period. For non-employee Trustees, share

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options are vested upon issuance, however, the share options may not be exercised for a one-year period subsequent to the grant date. The Company generally issues new common shares upon option exercise. A summary of the Company s share option activity and related information is as follows:

	Number of Shares	Option Price Per Share			Average Exercise Price
Outstanding at December 31, 2010	1,071,096	$ 16.05	-	$ 65.50	$ 32.00
Exercised	(71,229)	18.18	-	42.46	21.11
Granted	70,266	45.73	-	47.77	46.19
Forfeited	(3,333)	16.05	-	16.05	16.05
Outstanding at June 30, 2011	1,066,800	18.18	-	65.50	33.72

The weighted average fair value of options granted was $9.29 and $7.27 during the six months ended June 30, 2011 and 2010, respectively. The intrinsic value of stock options exercised was $1.8 million and $1.2 million during the six months ended June 30, 2011 and 2010, respectively. Additionally, the Company repurchased 43,039 shares into treasury shares in conjunction with the stock options exercised during the six months ended June 30, 2011 with a total value of $2.0 million. At June 30, 2011, stock-option expense to be recognized in future periods was $1.3 million.

The following table summarizes outstanding options at June 30, 2011:

Exercise price range	Options outstanding	Weighted avg. life remaining	Weighted avg. exercise price	Aggregate intrinsic value (in thousands)
$ 16.05 - 19.99	310,807	7.6		
20.00 - 29.99	236,271	1.4		
30.00 - 39.99	96,303	4.6		
40.00 - 49.99	310,066	6.2		
50.00 - 59.99	10,000	6.9		
60.00 - 65.50	103,353	5.6		
	1,066,800	5.4	$ 33.72	$ 15,775

The following table summarizes exercisable options at June 30, 2011:

Exercise price range	Options outstanding	Weighted avg. life remaining	Weighted avg. exercise price	Aggregate intrinsic value (in thousands)
$ 16.05 - 19.99	110,679	7.6		
20.00 - 29.99	236,271	1.4		
30.00 - 39.99	72,189	3.3		
40.00 - 49.99	209,978	5.0		
50.00 - 59.99	10,000	6.9		
60.00 - 65.50	84,686	5.6		
	723,803	4.2	35.31	$ 9,815

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Nonvested Shares

A summary of the Company s nonvested share activity and related information is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Life Remaining
Outstanding at December 31, 2010	372,308	$ 33.89	
Granted	137,020	45.85	
Vested	(158,465)	34.90	
Outstanding at June 30, 2011	350,863	38.11	1.28

The holders of nonvested shares have voting rights and receive dividends from the date of grant. These shares vest ratably over a period of three to five years. The fair value of the nonvested shares that vested during the six months ended June 30, 2011 and 2010 was $7.3 million and $5.0 million, respectively. At June 30, 2011, unamortized share-based compensation expense related to nonvested shares was $7.6 million.

Restricted Share Units

A summary of the Company s restricted share unit activity and related information is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Life Remaining
Outstanding at December 31, 2010	10,506	$ 44.98	
Granted	10,519	47.77	
Vested	(10,506)	44.98	
Outstanding at June 30, 2011	10,519	47.77	0.86

The holders of restricted share units have voting rights and receive dividends from the date of grant. The share units vest upon the earlier of the day preceding the next annual meeting of shareholders or a change of control. The settlement date for the shares is selected by the non-employee Trustee, and ranges from one year from the grant date to upon termination of service. At June 30, 2011, unamortized share-based compensation expense related to restricted share units was $419 thousand.

15. Discontinued Operations

Included in discontinued operations for the six months ended June 30, 2011 and 2010 is the operations of Toronto Dundas Square which was purchased out of receivership on March 4, 2010 and subsequently sold on March 29, 2011, as well as the operations of the Gary Farrell winery sold on April 28, 2011 and the Pope Valley winery which was held for sale as of June 30, 2011. In addition, included in discontinued operations for the three and six months ended June 30, 2010 are the operations of a ten acre vineyard and winery facility sold on June 15, 2010, a parcel of land including one building sold on July 14, 2010 and the operations of the City Center entertainment retail center in

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White Plains, New York (City Center). As a result of the settlement with Mr. Cappelli and his affiliates on June 18, 2010, the Company no longer holds an interest in the previously consolidated joint ventures that owned City Center.

The operating results relating to assets disposed of are as follows (unaudited, in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Rental revenue	$ 1,050	$ 5,907	$ 5,053	$ 9,122
Tenant reimbursements	62	3,021	2,408	4,403
Other income			4	31
Total revenue	1,112	8,928	7,465	13,556
Property operating expense	66	4,236	2,821	7,746
Other expense	41	108	89	221
Transaction costs		37		7,270
Impairment charges			1,800	
Interest expense, net		3,262	21	5,588
Costs associated with loan refinancing		4,236	225	4,236
Depreciation and amortization	19	2,557	1,876	3,884
Income (loss) before gain on acquisition and gain on sale of real estate	986	(5,508)	633	(15,389)
Gain on acquisition				8,468
Gain (loss) on sale of real estate		(934)	18,293	(934)
Net income (loss)	$ 986	$ (6,442)	$ 18,926	$ (7,855)

16. Other Commitments and Contingencies

As of June 30, 2011, the Company had two theatre development projects and one retail development project under construction for which it has agreed to finance the development costs. At June 30, 2011, the Company has commitments to fund approximately $17.7 million of additional improvements which are expected to be funded in 2011 and early 2012. Development costs are advanced by the Company in periodic draws. If the Company determines that construction is not being completed in accordance with the terms of the development agreements, it can discontinue funding construction draws. The Company has agreed to lease the properties to the operators at pre-determined rates upon completion of construction.

As further discussed in Note 5, the Company has acquired six public charter school properties and has agreed to finance the development costs. At June 30, 2011, the Company has commitments to fund approximately $26.7 million of additional improvements for these properties which are expected to be funded in 2011. Development costs are advanced by the Company in periodic draws. If the Company determines that construction is not being completed in accordance with the terms of the development agreements, it can discontinue funding construction draws. The Company has agreed to lease the properties to the operators at pre-determined rates upon completion of construction.

The Company has provided a guarantee of the payment of certain economic development revenue bonds related to four theatres in Louisiana for which the Company earns a fee at an annual rate of 1.75% over the 30 year term of the bond. The Company has recorded $3.2 million as a deferred asset included in other assets and $3.2 million included in other liabilities in the accompanying consolidated balance sheet as of June 30, 2011 related to this guarantee. No amounts have been accrued as a loss contingency related to this guarantee because payment by the Company is not probable.

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The Company has certain commitments related to its mortgage note investments that it may be required to fund in the future. The Company is generally obligated to fund these commitments at the request of the borrower or upon the occurrence of events outside of its direct control. As of June 30, 2011, the Company had mortgage notes receivable with commitments totaling approximately $31.8 million. If commitments are funded in the future, interest will be charged at rates consistent with the existing investments.

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17. Condensed Consolidating Financial Statements

A portion of our subsidiaries have guaranteed the Company s indebtedness under the unsecured senior notes and the unsecured revolving credit facility. The guarantees are joint and several, full and unconditional. The following summarizes the Company s condensed consolidating information as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010 (unaudited, in thousands):

Condensed Consolidating Balance Sheet

As of June 30, 2011

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Assets					
Rental properties, net	$	$ 635,162	$ 1,180,773	$	$ 1,815,935
Rental properties held for sale, net			4,696		4,696
Land held for development			184,457		184,457
Property under development		10,329	9,527		19,856
Mortgage notes and related accrued interest receivable, net		311,439			311,439
Investment in a direct financing lease, net		231,099			231,099
Investment in joint ventures	19,936		4,202		24,138
Cash and cash equivalents	2,702	856	12,182		15,740
Restricted cash		26,641	7,479		34,120
Intangible assets, net			5,330		5,330
Deferred financing costs, net	9,710	4,684	3,387		17,781
Accounts receivable, net	185	5,313	29,485		34,983
Intercompany notes receivable	98,224		31,058	(129,282)	
Notes receivable and related accrued interest receivable, net	171		4,908		5,079
Investments in subsidiaries	1,721,097			(1,721,097)	
Other assets	14,945	3,084	7,034		25,063
Total assets	$ 1,866,970	$ 1,228,607	$ 1,484,518	$ (1,850,379)	$ 2,729,716
Liabilities and Equity					
Liabilities:					
Accounts payable and accrued liabilities	$ 23,434	$ 17,167	$ 9,381	$	$ 49,982
Dividends payable	40,212				40,212
Unearned rents and interest		8,331	1,724		10,055
Intercompany notes payable			129,282	(129,282)	
Long-term debt	250,000	90,000	708,122		1,048,122
Total liabilities	313,646	115,498	848,509	(129,282)	1,148,371
Entertainment Properties Trust shareholders equity	1,553,324	1,113,109	607,988	(1,721,097)	1,553,324
Noncontrolling interests			28,021		28,021
Total equity	1,553,324	1,113,109	636,009	(1,721,097)	1,581,345
Total liabilities and equity	$ 1,866,970	$ 1,228,607	$ 1,484,518	$ (1,850,379)	$ 2,729,716

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Condensed Consolidating Balance Sheet

As of December 31, 2010

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Assets					
Rental properties, net	$	$ 807,891	$ 1,212,300	$	$ 2,020,191
Rental properties held for sale, net			6,432		6,432
Land held for development			184,457		184,457
Property under development			5,967		5,967
Mortgage notes and related accrued interest receivable, net		305,404			305,404
Investment in a direct financing lease, net		226,433			226,433
Investment in joint ventures	19,159		2,851		22,010
Cash and cash equivalents	3,356	1,116	7,304		11,776
Restricted cash	25	7,287	8,967		16,279
Intangible assets, net		29,829	5,815		35,644
Deferred financing costs, net	9,576	5,011	5,784		20,371
Accounts receivable, net	110	9,067	30,637		39,814
Intercompany notes receivable	227,141		28,649	(255,790)	
Notes receivable and related accrued interest receivable, net	168		4,959		5,127
Investments in subsidiaries	1,634,257			(1,634,257)	
Other assets	15,887	3,625	4,003		23,515
Total assets	$ 1,909,679	$ 1,395,663	$ 1,508,125	$ (1,890,047)	$ 2,923,420
Liabilities and Equity					
Liabilities:					
Accounts payable and accrued liabilities	$ 18,636	$ 26,251	$ 11,601	$	$ 56,488
Dividends payable	37,804				37,804
Unearned rents and interest		5,079	1,612		6,691
Intercompany notes payable		132,067	123,723	(255,790)	
Long-term debt	250,000	142,000	799,179		1,191,179
Total liabilities	306,440	305,397	936,115	(255,790)	1,292,162
Entertainment Properties Trust shareholders equity	1,603,239	1,090,266	543,991	(1,634,257)	1,603,239
Noncontrolling interests			28,019		28,019
Total equity	1,603,239	1,090,266	572,010	(1,634,257)	1,631,258
Total liabilities and equity	$ 1,909,679	$ 1,395,663	$ 1,508,125	$ (1,890,047)	$ 2,923,420

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Condensed Consolidating Statement of Income

For the Three Months Ended June 30, 2011

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Rental revenue	$	$ 20,079	$ 35,945	$	$ 56,024
Tenant reimbursements		319	4,196		4,515
Other income	23	7	101		131
Mortgage and other financing income	131	13,457	180		13,768
Intercompany fee income	699			(699)	
Interest income on intercompany notes receivable	4,275		606	(4,881)	
Total revenue	5,128	33,862	41,028	(5,580)	74,438
Equity in subsidiaries earnings	(752)			752	
Property operating expense		948	5,708		6,656
Intercompany fee expense			699	(699)	
Other expense			700		700
General and administrative expense		2,324	2,781		5,105
Costs associated with loan refinancing					
Interest expense, net	4,808	1,669	10,810		17,287
Interest expense on intercompany notes payable			4,881	(4,881)	
Transaction costs	76				76
Impairment charges			34,256		34,256
Depreciation and amortization	265	3,478	8,380		12,123
Income (loss) before equity in income from joint ventures and discontinued operations	(773)	25,443	(27,187)	752	(1,765)
Equity in income from joint ventures	775		6		781
Income (loss) from continuing operations	$ 2	$ 25,443	$ (27,181)	$ 752	$ (984)
Discontinued operations:					
Income from discontinued operations		30	956		986
Net income (loss)	2	25,473	(26,225)	752	2
Subtract: Net income attributable to noncontrolling interests					
Net income (loss) attributable to Entertainment Properties Trust	2	25,473	(26,225)	752	2
Preferred dividend requirements	(7,551)				(7,551)
Net income (loss) available to common shareholders of Entertainment Properties Trust	$ (7,549)	$ 25,473	$ (26,225)	$ 752	$ (7,549)

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Condensed Consolidating Statement of Income

For the Three Months Ended June 30, 2010

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Rental revenue	$	$ 17,215	$ 36,635	$	$ 53,850
Tenant reimbursements		311	3,702		4,013
Other income	27	3	15		45
Mortgage and other financing income	110	12,781	122		13,013
Intercompany fee income	642			(642)	
Interest income on intercompany notes receivable	5,216		534	(5,750)	
Total revenue	5,995	30,310	41,008	(6,392)	70,921
Equity in subsidiaries earnings	7,318			(7,318)	
Property operating expense	3	838	5,121		5,962
Intercompany fee expense			642	(642)	
Other expense	1		88		89
General and administrative expense		1,903	2,730		4,633
Costs associated with loan refinancing		11,288	95		11,383
Interest expense, net	108	3,796	13,042		16,946
Interest expense on intercompany notes payable		1,372	4,378	(5,750)	
Transaction costs	63		10		73
Depreciation and amortization	98	2,832	8,138		11,068
Income (loss) before equity in income from joint ventures and discontinued operations	13,040	8,281	6,764	(7,318)	20,767
Equity in income from joint ventures	423				423
Income (loss) from continuing operations	$ 13,463	$ 8,281	$ 6,764	$ (7,318)	$ 21,190
Discontinued operations:					
Interest income on intercompany notes receivable	2,125		500	(2,625)	
Interest expense on intercompany notes payable		(2,125)	(500)	2,625	
Loss from discontinued operations		(4,013)	(1,458)		(5,471)
Transaction costs		(37)			(37)
Loss on sale of real estate			(934)		(934)
Net income (loss)	15,588	2,106	4,372	(7,318)	14,748
Add: Net loss attributable to noncontrolling interests			840		840
Net income (loss) attributable to Entertainment Properties Trust	15,588	2,106	5,212	(7,318)	15,588
Preferred dividend requirements	(7,552)				(7,552)
Net income (loss) available to common shareholders of Entertainment Properties Trust	$ 8,036	$ 2,106	$ 5,212	$ (7,318)	$ 8,036

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Condensed Consolidating Statement of Income

For the Six Months Ended June 30, 2011

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Rental revenue	$	$ 39,774	$ 71,632	$	$ 111,406
Tenant reimbursements		661	8,515		9,176
Other income	46	7	102		155
Mortgage and other financing income	212	26,698	409		27,319
Intercompany fee income	1,384			(1,384)	
Interest income on intercompany notes receivable	8,394		1,197	(9,591)	
Total revenue	10,036	67,140	81,855	(10,975)	148,056
Equity in subsidiaries earnings	37,864			(37,864)	
Property operating expense		1,911	11,105		13,016
Intercompany fee expense			1,384	(1,384)	
Other expense			1,200		1,200
General and administrative expense		4,708	5,865		10,573
Costs associated with loan refinancing			6,163		6,163
Interest expense, net	9,907	4,145	22,058		36,110
Interest expense on intercompany notes payable			9,591	(9,591)	
Transaction costs	1,025		324		1,349
Impairment charges			34,256		34,256
Depreciation and amortization	534	6,955	16,646		24,135
Income (loss) before equity in income from joint ventures and discontinued operations	36,434	49,421	(26,737)	(37,864)	21,254
Equity in income from joint ventures	1,544		11		1,555
Income (loss) from continuing operations	$ 37,978	$ 49,421	$ (26,726)	$ (37,864)	$ 22,809
Discontinued operations:					
Interest income on intercompany notes receivable	3,755			(3,755)	
Interest expense on intercompany notes payable		(3,755)		3,755	
Income (loss) from discontinued operations		1,814	619		2,433
Impairment charges			(1,800)		(1,800)
Gain on sale of real estate		18,293			18,293
Net income (loss)	41,733	65,773	(27,907)	(37,864)	41,735
Subtract: Net income attributable to noncontrolling interests			(2)		(2)
Net income (loss) attributable to Entertainment Properties Trust	41,733	65,773	(27,909)	(37,864)	41,733
Preferred dividend requirements	(15,103)				(15,103)
Net income (loss) available to common shareholders of Entertainment Properties Trust	$ 26,630	$ 65,773	$ (27,909)	$ (37,864)	$ 26,630

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Condensed Consolidating Statement of Income

For the Six Months Ended June 30, 2010

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated Elimination	Consolidated
Rental revenue	$	$ 33,645	$ 73,962	$	$ 107,607
Tenant reimbursements		672	7,619		8,291
Other income	50	7	192		249
Mortgage and other financing income	236	25,112	257		25,605
Intercompany fee income	1,280			(1,280)	
Interest income on intercompany notes receivable	8,942		1,059	(10,001)	
Total revenue	10,508	59,436	83,089	(11,281)	141,752
Equity in subsidiaries earnings	30,402			(30,402)	
Property operating expense	14	1,673	10,499		12,186
Intercompany fee expense			1,280	(1,280)	
Other expense	1		375		376
General and administrative expense		3,949	5,773		9,722
Costs associated with loan refinancing		11,288	95		11,383
Interest expense, net	109	7,535	26,195		33,839
Interest expense on intercompany notes payable		1,371	8,630	(10,001)	
Transaction costs	204		161		365
Provision for loan losses			700		700
Depreciation and amortization	228	5,678	16,238		22,144
Income before equity in income from joint ventures and discontinued operations	40,354	27,942	13,143	(30,402)	51,037
Equity in income from joint ventures	656				656
Income from continuing operations	$ 41,010	$ 27,942	$ 13,143	$ (30,402)	$ 51,693
Discontinued operations:					
Interest income on intercompany notes receivable	4,653		1,000	(5,653)	
Interest expense on intercompany notes payable		(4,653)	(1,000)	5,653	
Loss from discontinued operations		(4,177)	(3,942)		(8,119)
Gain on acquisition		8,468			8,468
Transaction costs		(7,270)			(7,270)
Loss on sale of real estate			(934)		(934)
Net income (loss)	$ 45,663	$ 20,310	$ 8,267	$ (30,402)	$ 43,838
Add: Net loss attributable to noncontrolling interests			1,825		1,825
Net income (loss) attributable to Entertainment Properties Trust	45,663	20,310	10,092	(30,402)	45,663
Preferred dividend requirements	(15,103)				(15,103)
Net income (loss) available to common shareholders of Entertainment Properties Trust	$ 30,560	$ 20,310	$ 10,092	$ (30,402)	$ 30,560

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Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2011

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated
Intercompany fee income (expense)	$ 1,384	$	$ (1,384)	$
Interest income (expense) on intercompany receivable/payable	8,394		(8,394)	
Net cash provided (used) by other operating activities	3,511	54,886	33,933	92,330
Net cash provided by operating activities	13,289	54,886	24,155	92,330
Investing activities:				
Acquisition of rental properties and other assets	(479)	(28,973)	(9,472)	(38,924)
Investment in unconsolidated joint ventures	(1,587)		(1,197)	(2,784)
Investment in mortgage notes receivable		(6,036)		(6,036)
Investment in direct financing lease, net		(2,113)		(2,113)
Additions to property under development		(10,329)	(8,108)	(18,437)
Investment in intercompany notes payable	128,917	(132,067)	3,150	
Advances to subsidiaries, net	(59,072)	(28,939)	88,011	
Net cash provided (used) by investing activities of continuing operations	67,779	(208,457)	72,384	(68,294)
Net cash used by other investing activities of discontinued operations		(58)		(58)
Net proceeds from sale of real estate from discontinued operations		205,936	6,460	212,396
Net cash provided (used) by investing activities	67,779	(2,579)	78,844	144,044
Financing activities:				
Proceeds from long-term debt facilities		195,000		195,000
Principal payments on long-term debt		(247,000)	(98,352)	(345,352)
Deferred financing fees paid	(347)	(587)		(934)
Net proceeds from issuance of common shares	145			145
Impact of stock option exercises, net	(499)			(499)
Purchase of common shares for treasury	(3,070)			(3,070)
Dividends paid to shareholders	(77,951)			(77,951)
Net cash provided used by financing activities	(81,722)	(52,587)	(98,352)	(232,661)
Effect of exchange rate changes on cash		20	231	251
Net increase (decrease) in cash and cash equivalents	(654)	(260)	4,878	3,964
Cash and cash equivalents at beginning of the period	3,356	1,116	7,304	11,776
Cash and cash equivalents at end of the period	$ 2,702	$ 856	$ 12,182	$ 15,740

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Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2010

	Entertainment Properties Trust (Issuer)	Wholly-Owned Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated
Intercompany fee income (expense)	$ 1,280	$	$ (1,280)	$
Interest income (expense) on intercompany receivable/payable	8,942	(1,371)	(7,571)	
Net cash provided by other operating activities	8,675	29,190	36,778	74,643
Net cash provided by operating activities	18,897	27,819	27,927	74,643
Investing activities:				
Acquisition of rental properties and other assets	(414)	(124,502)	(1,305)	(126,221)
Investment in unconsolidated joint ventures	(15,033)		(148)	(15,181)
Cash paid related to Cappelli settlement	2,783		(7,369)	(4,586)
Investment in mortgage notes receivable		(5,247)		(5,247)
Investment in direct financing lease		(44,232)		(44,232)
Additions to property under development		(274)	(1,421)	(1,695)
Investment in intercompany notes payable	(99,562)	95,007	4,555	
Advances to subsidiaries, net	(221,220)	175,769	45,451	
Net cash provided (used) by investing activities of continuing operations	(333,446)	96,521	39,763	(197,162)
Net cash used by other investing activities of discontinued operations		(112,206)	(1,259)	(113,465)
Net proceeds from sale of real estate from discontinued operations			6,301	6,301
Net cash provided (used) by investing activities	(333,446)	(15,685)	44,805	(304,326)
Financing activities:				
Proceeds from long-term debt facilities	245,725	465,500		711,225
Principal payments on long-term debt		(464,600)	(68,651)	(533,251)
Deferred financing fees paid	(4,868)	(5,804)	(54)	(10,726)
Net proceeds from issuance of common shares	141,055			141,055
Impact of stock option exercises, net	(336)			(336)
Purchase of common shares for treasury	(2,182)			(2,182)
Distributions paid to noncontrolling interests			12	12
Dividends paid to shareholders	(70,803)			(70,803)
Net cash provided (used) by financing activities of continuing operations	308,591	(4,904)	(68,693)	234,994
Net cash provided (used) by financing activities of discontinued operations		(1,358)	(4,882)	(6,240)
Net cash provided (used) by financing activities	308,591	(6,262)	(73,575)	228,754
Effect of exchange rate changes on cash		(1,848)	(217)	(2,065)
Net increase (decrease) in cash and cash equivalents	(5,958)	4,024	(1,060)	(2,994)
Cash and cash equivalents at beginning of the period	13,565	107	9,466	23,138
Cash and cash equivalents at end of the period	$ 7,607	$ 4,131	$ 8,406	$ 20,144

18. Subsequent Events

On July 1, 2011, the Company entered into a contract to acquire the improvements and ground lease interest of the Pinstripes entertainment facility in Northbrook, Illinois for a purchase price of approximately $7.0 million. The 34,000 square foot facility, which has been operating for more than a

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year, features bowling, bocce, upscale food and beverage, and other entertainment offerings. The facility will be leased to Pinstripes Northbrook on a 15-year triple-net basis, with additional options to renew, and will be guaranteed by the Pinstripes corporate entity at closing. The transaction is expected to close during the third quarter of 2011.

On July 29, 2011, the Company issued a notice of redemption to the registered holders of all 3.2 million outstanding shares of its 7.75% Series B preferred shares notifying such holders of the Company s intent to redeem all such shares outstanding on August 31, 2011. The shares are expected to be redeemed at a redemption price of $25.32 per share. This price is the sum of the $25.00 per share liquidation preference and a quarterly dividend per share of $0.484375 prorated through the redemption date. In conjunction with the anticipated redemption, the Company expects to recognize a charge representing the original issuance costs that were paid in 2005 and other redemption related expenses. The aggregate reduction to net income available to common shareholders is expected to be approximately $2.9 million.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Quarterly Report on Form 10-Q of Entertainment Properties Trust (the Company , EPR , we or us). The forward-looking statements included in this discussion and elsewhere in this Quarterly Report on Form 10-Q involve risks and uncertainties, including anticipated financial performance, business prospects, industry trends, shareholder returns, performance of leases by tenants, performance on loans to customers and other matters, which reflect management s best judgment based on factors currently known. See Cautionary Statement Concerning Forward Looking Statements which is incorporated herein by reference. Actual results and experience could differ materially from the anticipated results and other expectations expressed in our forward-looking statements as a result of a number of factors, including but not limited to those discussed in this Item and Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 1, 2011.

Overview

Our principal business objective is to enhance shareholder value by achieving predictable and increasing FFO and dividends per share. Our prevailing strategy is to focus on long-term investments in a limited number of categories in which we maintain a depth of knowledge and relationships, and which we believe offer sustained performance throughout all economic cycles. As of June 30, 2011, our total assets exceeded $2.7 billion, and included investments in 112 megaplex theatre properties (including two joint venture properties) and various restaurant, retail, entertainment, destination recreational and specialty properties located in 34 states, the District of Columbia and Ontario, Canada. As of June 30, 2011, we had invested approximately $204.3 million in development land and property under development and approximately $311.4 million in mortgage financing for entertainment, recreational and specialty properties, including certain such properties under development.

Substantially all of our single-tenant properties are leased pursuant to long-term, triple-net leases, under which the tenants typically pay all operating expenses of a property, including, but not limited to, all real estate taxes, assessments and other governmental charges, insurance, utilities, repairs and maintenance. A majority of our revenues are derived from rents received or accrued under long-term, triple-net leases. Tenants at our multi-tenant properties are typically required to pay common area maintenance charges to reimburse us for their pro rata portion of these costs.

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Our real estate mortgage portfolio consists of seven mortgage notes totaling $311.4 million at June 30, 2011. Two of these mortgage notes, totaling $175.0 million at June 30, 2011, are secured by a water-park anchored entertainment village in Kansas City, Kansas as well as two other water-parks in Texas. The remaining five mortgage notes totaling $136.4 million at June 30, 2011 relate to financing provided for ski areas.

Also, as of June 30, 2011, we had five other notes receivable with an outstanding balance of $5.1 million (including accrued interest) net of a provision for an aggregate loan loss of $8.2 million. Our total investments were $2.9 billion at June 30, 2011. Total investments is a non-GAAP financial measure defined herein as the sum of the carrying values of rental properties (before accumulated depreciation), rental properties held for sale (before accumulated depreciation), land held for development, property under development, mortgage notes receivable (including related accrued interest receivable), investment in direct financing lease, net, investment in joint ventures, intangible assets (before accumulated amortization) and notes receivable and related accrued interest receivable, net. Below is a reconciliation of the carrying value of total investments to the constituent items in the consolidated balance sheet at June 30, 2011 (in thousands):

Rental properties, net of accumulated depreciation	$ 1,815,935
Rental properties held for sale, net of accumulated depreciation	4,696
Add back accumulated depreciation on rental properties	316,580
Add back accumulated depreciation on rental properties held for sale	319
Land held for development	184,457
Property under development	19,856
Mortage notes and related accrued interest receivable, net	311,439
Investment in a direct financing lease, net	231,099
Investment in joint ventures	24,138
Intangible assets, net of accumulated amortization	5,330
Add back accumulated amortization on intangible assets	9,417
Notes receivable and related accrued interest receivable, net	5,079
Total investments	$ 2,928,345

Management believes that total investments is a useful measure for management and investors as it illustrates across which asset categories our funds have been invested. Of our total investments of $2.9 billion at June 30, 2011, $2.0 billion or 69% related to megaplex theatres, entertainment retail centers and other retail parcels, $249.4 million or 8% related to public charter schools and $671.6 million or 23% related to other destination recreational and specialty properties. Furthermore, of the $671.6 million related to other destination recreational and specialty properties, $167.2 million related to vineyards and wineries, $180.0 million related to the land held for development in Sullivan County, New York, $175.0 million related to the water-park anchored entertainment village development in Kansas and two Texas water-parks and $149.4 million related to metropolitan ski areas. At June 30, 2011, affiliates of Imagine Schools, Inc. (Imagine) are the lessees of 82% of our public charter school properties. In addition, Peak Resorts, Inc. (Peak) is the lessee of our metropolitan ski area in Ohio and is the mortgagor on five notes receivable secured by ten metropolitan ski areas and related development land.

We incur general and administrative expenses including compensation expense for our executive officers and other employees, professional fees and various expenses incurred in the process of identifying, evaluating, acquiring and financing additional properties and mortgage notes. We are self-administered and managed by our Board of Trustees and executive officers. Our primary non-cash expense is the depreciation of our properties. We depreciate buildings, improvements on our properties and furniture, fixtures and equipment over a 3 to 40 year period for tax purposes and financial reporting purposes.

Our property acquisitions and financing commitments are financed by cash from operations, borrowings under our revolving credit facilities, long-term mortgage debt, and the sale of debt and equity securities. It has been our strategy to structure leases and financings to ensure a positive spread between our cost of capital and the rentals paid by our tenants. We have primarily acquired or developed new properties that are pre-leased to a single tenant or multi-tenant properties that have a high occupancy rate. We do not typically develop or acquire properties that are not significantly pre-leased. We have also entered into certain joint ventures and we have provided mortgage note financing as described above. We intend to continue entering into some or all of these types of arrangements in the foreseeable future, subject to our ability to do so in light of the current financial and economic environment.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related notes. In preparing these financial statements, management has made its best estimates and assumptions that affect the reported assets and liabilities. The most significant assumptions and estimates relate to consolidation, revenue recognition, depreciable lives of the real estate, the valuation of real estate, accounting for real estate acquisitions, estimating reserves for uncollectible receivables and the accounting for mortgage and other notes receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Our Annual Report on Form 10-K for the year ended December 31, 2010 contains a description of our critical accounting policies, including consolidation, revenue recognition, real estate useful lives, impairment of real estate values, real estate acquisitions, allowance for doubtful accounts, and mortgage and other notes receivable. For the six months ended June 30, 2011, there were no material changes to these policies.

Recent Developments

Debt Financing

On February 7, 2011, we paid in full the eight term loans outstanding under our vineyard and winery facility totaling $86.2 million. In connection with the payment in full of the term loans, the related interest rate swaps were terminated at a cost of $4.6 million. Additionally, deferred financing costs, net of accumulated amortization, of $1.8 million were written off as part of this loan prepayment.

On March 3, 2011, we assumed a mortgage note payable of $3.8 million in conjunction with the acquisition of a theatre property. The note matures on July 1, 2017 and requires monthly principal and interest payments of approximately $28 thousand with a final principal payment at maturity of approximately $3.2 million. The note was recorded at fair value upon acquisition which was estimated to be $4.1 million. The fair value of the note was determined by discounting the future cash flows of the note using an estimated current market rate of 5.29%.

During March 2011, we exercised a portion of the accordion feature on our unsecured revolving credit facility. As a result of this exercise, our unsecured revolving credit facility capacity has been expanded from $320 million to $382.5 million.

On June 22, 2011, we completed our offer to exchange our $250 million aggregate principal amount of 7.750% senior notes due 2020, which were issued in a private placement (the original notes), for an equal principal amount of its 7.750% senior notes due 2020, which have been registered under the Securities Act of 1933, as amended. Pursuant to the exchange offer, $250 million aggregate principal amount, or 100%, of the original notes were validly tendered and accepted for exchange. The exchange offer was made to satisfy our obligations under a registration rights agreement entered into on June 30, 2010 in connection with the issuance of the original notes, and does not represent a new financing transaction.

Redemption of Series B Preferred Shares

On July 29, 2011, we issued a notice of redemption to the registered holders of all 3.2 million outstanding shares of our Series B preferred shares notifying such holders of our intent to redeem all such shares outstanding on August 31, 2011. The shares are expected to be redeemed at a redemption price of $25.32 per share. This price is the sum of the $25.00 per share liquidation preference and a quarterly dividend per share of $0.484375 prorated through the redemption date. In conjunction with the anticipated redemption, we expect to recognize a charge representing the original issuance costs that were paid in 2005 and other redemption related expenses. The aggregate reduction to net income available to common shareholders is expected to be approximately $2.9 million in the third quarter of 2011.

Investments

On March 3, 2011, we acquired four theatre properties for a total investment of $36.8 million pursuant to a sale-leaseback transaction. The theatre properties are located in New Hampshire and Maine and contain an aggregate of 56 screens. The theatre properties are leased to Cinemagic pursuant to lease agreements that are structured as a triple net lease with the tenant responsible for all taxes, costs and expenses arising from the use or operation of the properties. As a part of this transaction, we assumed a mortgage note payable on one of the four theatres with an outstanding balance of $3.8 million and a fair value of $4.1 million at the acquisition date.

On March 22, 2011, we purchased one charter school property from a third-party for a total investment of $4.3 million. The property is located in Louisiana and is leased to Charter Schools Development Corporation. As a part of this transaction, we have agreed to finance an additional $2.3 million in redevelopment costs for this property. This public charter school is leased to Charter Schools Development Corporation under a long-term triple-net lease that will commence upon completion of the development.

During the second quarter of 2011, we completed three public charter school transactions with HighMark School Development (HighMark); one located in Arizona and two in Colorado. We acquired the development land and any existing buildings for a combined purchase price of $3.2 million. As a part of these transactions, we have agreed to finance an additional combined $16.7 million in development costs for these properties. These public charter schools are leased to HighMark under long-term triple-net leases that will commence upon completion of the developments.

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On June 15, 2011, we completed one public charter school transaction with Phoenix Charter Properties, LLC located in Arizona. We acquired development land for $1.0 million and have agreed to finance an additional $4.4 million in development costs for this property. This public charter school is leased to Phoenix Charter Properties, LLC under a long-term triple-net lease that will commence upon completion of the development.

On June 15, 2011, we completed one public charter school transaction with American Leadership Academy (ALA) located in Arizona. We acquired land and an existing school for $4.4 million and have agreed to finance an additional $4.8 million in development costs for this property. This public charter school is leased to ALA under a long-term triple-net lease that will commence upon completion of the development.

During the six months ended June 30, 2011, we advanced $6.0 million under our secured mortgage loan agreements with SVV I, LLC and an affiliate of SVV I, LLC (together SVVI) to provide for additional improvements made to the Kansas City, Kansas and Texas water-parks. The carrying value of this mortgage note receivable at June 30, 2011 was $175.0 million.

On July 1, 2011, we entered into a contract to acquire the improvements and ground lease interest of the Pinstripes entertainment facility in Northbrook, Illinois for a purchase price of $7.0 million. The 34,000 square foot facility, which has been operating for more than a year, features bowling, bocce, upscale food and beverage, and other entertainment offerings. The facility will be leased to Pinstripes Northbrook on a 15-year triple-net basis, with additional options to renew, and will be guaranteed by the Pinstripes corporate entity at closing. The transaction is expected to close during the third quarter of 2011.

Property Sale

On March 29, 2011 we closed on the sale of our Toronto Dundas Square entertainment retail center and related signage business in downtown Toronto. The gross sale proceeds were approximately $226 million Canadian (CAD) and the net sales proceeds, after selling costs, were $222.7 million CAD. The net proceeds from this sale, after the escrows, were converted to U.S. dollars primarily through a foreign currency forward contract that was entered into on February 3, 2011 and designated as a net investment hedge. This forward contract allowed us to sell $200 million CAD for $201.5 million U.S. We used the proceeds to pay down our revolving line of credit and recorded a net gain of $18.3 million U.S., including the impact of foreign currency and the settlement of the forward contract.

Vineyards and Wineries

The wine industry has been adversely affected by recent economic conditions which continue to affect several of our tenants ability to perform under their leases. As a result, we have taken back certain properties due to non-performance under the related leases, and have granted concessions to other tenants in the form of rent abatement or rent deferral. We completed the sale of one vineyard and winery investment in 2010 and another during the second quarter of 2011 discussed below.

On April 28, 2011, in conjunction with the sale by Ascentia of the Gary Farrell brand and related inventory assets, we elected to sell our winery assets to the same buyer. As a result, we terminated our lease on these assets with Ascentia and were paid $2.0 million in outstanding receivables and a $1.0 million lease termination fee that is included in income from discontinued operations in the accompanying consolidated statements of income for the three and six months ended June 30, 2011. In addition, we received $6.5 million from the buyer for our winery assets, which was equal to the net book value of such assets. The results of operations of this property have been classified within discontinued operations.

Additionally, we entered into an agreement in the second quarter of 2011 to sell one of our vineyard and winery properties. During the three months ended March 31, 2011, we recorded an impairment charge of $1.8 million, which is the amount that the carrying value of the assets exceeds the estimated fair market value. The sale of this property is expected to close within a year and the results of operations have been classified within discontinued operations. We expect to enter into an agreement in the third quarter of 2011 to sell our vineyard and winery in Paso Robles, California for $13.3 million. This sale is expected to close before the end of the year.

During the three months ended June 30, 2011, we engaged outside brokers to list all of our winery and vineyard properties for sale or lease with the primary focus on selling all of these assets within the next two years. Management estimated the fair values of these properties taking into account various factors, including the shortened holding period, current market conditions as well as independent appraisals prepared as of June 30, 2011 for most of the properties utilizing a leased fee or fee simple approach as applicable. It was determined that the carrying value of seven of the Company s vineyard and winery properties, including the one in Paso Robles, California, exceeded the estimated fair values by $34.3 million, and an impairment charge was recorded in the second quarter for this amount.

Results of Operations

Three months ended June 30, 2011 compared to three months ended June 30, 2010

Rental revenue was $56.0 million for the three months ended June 30, 2011, compared to $53.9 million for the three months ended June 30, 2010. The $2.1 million increase resulted primarily from acquisitions completed in 2010 and 2011 and base rent increases on existing properties, partially offset by a decline in rental revenue from our vineyard and winery tenants. Percentage rents of $0.1 million were recognized during both the three months ended June 30, 2011 and 2010. Straight-line rents of $0.1 million and $0.2 million were recognized during the three months ended June 30, 2011 and 2010, respectively.

Tenant reimbursements totaled $4.5 million for the three months ended June 30, 2011 compared to $4.0 million for the three months ended June 30, 2010. These tenant reimbursements arise from the operations of our retail centers. The $0.5 million increase is primarily due to an increase in tenant reimbursements at our retail centers in Ontario, Canada and New Rochelle, New York as well as the impact of a stronger Canadian dollar exchange rate for the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

Mortgage and other financing income for the three months ended June 30, 2011 was $13.8 million compared to $13.0 million for the three months ended June 30, 2010. The $0.8 million increase is due to our additional investments in public charter school properties, as well as increased real estate lending activities related to our mortgage loan agreement with SVVI.

Our property operating expense totaled $6.7 million for the three months ended June 30, 2011 compared to $6.0 million for the three months ended June 30, 2010. These property operating expenses arise from the operations of our retail centers. The $0.7 million increase resulted primarily from increases in property operating expenses at our retail centers in Ontario, Canada and New Rochelle, New York as well as property operating expenses incurred at the theatre and retail development in Dallas, Texas. A stronger Canadian dollar exchange rate also contributed to the increase. These increases were partially offset by a decrease in bad debt expense primarily associated with our vineyard and winery tenants.

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Other expense for the three months ended June 30, 2011 was $0.7 million compared to $0.1 million for the three months ended June 30, 2010. The $0.6 million increase is due to $0.3 million more loss recognized upon settlement of foreign currency forward and swap contracts and $0.3 million in golf course expenses related to two golf courses on the Concord resort property, which we took ownership of on June 18, 2010 in connection with the Cappelli settlement.

Our general and administrative expense totaled $5.1 million for the three months ended June 30, 2011 compared to $4.6 million for the three months ended June 30, 2010. The increase of $0.5 million is primarily due to an increase in payroll related expenses and professional fees.

Costs associated with loan refinancing were $11.4 million for the three months ended June 30, 2010. These costs related primarily to the termination of our previous revolving credit facility and our term loan (and related interest rate swap agreements). There were no costs associated with loan refinancing for the three months ended June 30, 2011.

Our net interest expense increased by $0.4 million to $17.3 million for the three months ended June 30, 2011 from $16.9 million for the three months ended June 30, 2010. This increase resulted from an increased weighted average interest rate used to finance our real estate acquisitions and fund our mortgage notes receivable.

Impairment charges for the three months ended June 30, 2011 were $34.3 million and related to certain of our winery and vineyard properties. For further detail, see Note 4 to the consolidated financial statements in the Quarterly Report on Form 10-Q. There were no impairment charges for the three months ended June 30, 2010.

Depreciation and amortization expense totaled $12.1 million for the three months ended June 30, 2011 compared to $11.1 million for the three months ended June 30, 2010. The $1.0 million increase resulted primarily from asset acquisitions in 2010 and 2011.

Equity in income from joint ventures total $0.8 million for the three months ended June 30, 2011 compared to $0.4 million for the three months ended June 30, 2010. The $0.4 million increase is due primarily to our contribution of an additional $14.9 million to Atlantic-EPR I to pay off the Partnership s long- term debt at its maturity of May 1, 2010. The $14.9 million contribution earns a preferred return of 15% per the partnership agreement.

Income from discontinued operations totaled $1.0 million for the three months ended June 30, 2011 and included the operations of the Toronto Dundas Square property which was sold on March 29, 2011 as well as the operations of the Gary Farrell winery sold on April 28, 2011 (including a $1.0 million lease termination fee) and the Pope Valley vineyard and winery which was held for sale as of June 30, 2011. Loss from discontinued operations totaled $5.5 million for the three months ended June 30, 2010 and related to the prior mentioned properties as well as a parcel of land in Arroyo Grande, California disposed of in the third quarter of 2010, an entertainment retail center in White Plains, New York and a ten acre vineyard and winery facility in Napa Valley, California, which were both disposed of in the second quarter of 2010.

Loss on sale of real estate from discontinued operations of $0.9 million for the three months ended June 30, 2010 was due to the sale of a ten acre vineyard and winery facility in Napa Valley, California for $6.5 million. There was no loss on sale of real estate from discontinued operations during the three months ended June 30, 2011.

Net loss attributable to noncontrolling interest was $0.8 million for the three months ended June 30, 2010 and related to the consolidation of a VIE at the entertainment retail center in White Plains, New York. Our interest in the VIE was extinguished in connection with the settlement entered into with Mr. Cappelli and his affiliates on June 18, 2010. There was no net income or net loss attributable to noncontrolling interest for the three months ended June 30, 2011.

Six months ended June 30, 2011 compared to six months ended June 30, 2010

Rental revenue was $111.4 million for the six months ended June 30, 2011, compared to $107.6 million for the six months ended June 30, 2010. The $3.8 million increase resulted primarily from acquisitions completed in 2010 and 2011 and base rent increases on existing properties, partially offset by a decline in rental revenue from our vineyard and winery tenants. Percentage rents of $0.5 million and $0.8 million were recognized during the six months ended June 30, 2011 and 2010, respectively. Straight-line rents of $0.3 million and $0.4 million were recognized during the six months ended June 30, 2011 and 2010, respectively.

Tenant reimbursements totaled $9.2 million for the six months ended June 30, 2011 compared to $8.3 million for the six months ended June 30, 2010. These tenant reimbursements arise from the operations of our retail centers. The $0.9 million increase is primarily due as an increase in tenant reimbursements at our retail centers in Ontario, Canada and in New Rochelle, New York as well as the impact of a stronger Canadian dollar exchange rate for the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

Mortgage and other financing income for the six months ended June 30, 2011 was $27.3 million compared to $25.6 million for the six months ended June 30, 2010. The $1.7 million increase is due to our additional investments in public charter school properties, as well as increased real estate lending activities related to our mortgage loan agreement with SVVI.

Our property operating expense totaled $13.0 million for the six months ended June 30, 2011 compared to $12.2 million for the six months ended June 30, 2010. These property operating expenses arise from the operations of our retail centers. The $0.8 increase resulted primarily from increases in property operating expenses at our retail centers in Ontario, Canada and New Rochelle, New York as well as property operating expenses incurred at the theatre and retail development in Dallas, Texas. A stronger Canadian dollar exchange rate also contributed to the increase. These increases were partially offset by a decrease in bad debt expense primarily associated with our vineyard and winery tenants.

Other expense for the six months ended June 30, 2011 was $1.2 million compared to $0.4 million for the three months ended June 30, 2010. The $0.8 million increase is due to $0.5 million more loss recognized upon settlement of foreign currency forward and swap contracts and $0.3 million in golf course expenses related to two golf courses on the Concord resort property, which we took ownership of on June 18, 2010 in connection with the Cappelli settlement.

Our general and administrative expense totaled $10.6 million for the six months ended June 30, 2011 compared to $9.7 million for the six months ended June 30, 2010. The increase of $0.9 million is primarily due to an increase in payroll related expenses and professional fees.

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Costs associated with loan refinancing were $6.2 million for the six months ended June 30, 2011. These costs related to the termination of our eight term loans outstanding under the vineyard and winery facility. In connection with the payment in full of the term loans, the related interest rate swaps were terminated at a cost of $4.4 million and deferred financing costs, net of accumulated amortization, of $1.8 million were written off. Costs associated with loan refinancing were $11.4 million for the six months ended June 30, 2010. These costs related primarily to the termination of our previous revolving credit facility and our term loan (and related interest rate swap agreements).

Our net interest expense increased by $2.3 million to $36.1 million for the six months ended June 30, 2011 from $33.8 million for the six months ended June 30, 2010. This increase resulted from an increased weighted average interest rate used to finance our real estate acquisitions and fund our mortgage notes receivable.

Transactions costs totaled $1.3 million for the six months ended June 30, 2011 compared to $0.4 million for the six months ended June 30, 2010. The increase of $0.9 million is due to the write off of costs associated with terminated transactions.

Provision for loan losses for the six months ended June 30, 2010 was $0.7 million and related to a note receivable that was settled in connection with the settlement with Mr. Cappelli and affiliates entered on June 18, 2010. There was no provision for loan losses for the six months ended June 30, 2011.

Impairment charges for the six months ended June 30, 2011 were $34.3 million and related to certain of our winery and vineyard properties. For further detail, see Note 4 to the consolidated financial statements in the Quarterly Report on Form 10-Q. There were no impairment charges for the six months ended June 30, 2010.

Depreciation and amortization expense totaled $24.1 million for the six months ended June 30, 2011 compared to $22.1 million for the six months ended June 30, 2010. The $2.0 million increase resulted primarily from asset acquisitions in 2010 and 2011.

Equity in income from joint ventures totaled $1.6 million for the six months ended June 30, 2011 compared to $0.9 million for the six months ended June 30, 2010. The $0.6 million increase is due primarily to our contribution of an additional $14.9 million to Atlantic-EPR I to pay off the Partnership s long- term debt at its maturity of May 1, 2010. The $14.9 million contribution earns a preferred return of 15% per the partnership agreement.

Income from discontinued operations including impairment charges totaled $0.6 million for the six months ended June 30, 2011 and included the operations of the Toronto Dundas Square property which was sold on March 29, 2011 as well as the operations of the Gary Farrell winery sold on April 28, 2011 (including a $ 1.0 million lease termination fee) and the Pope Valley vineyard and winery which was held for sale as of June 30, 2011 (including a $1.8 million impairment charge). Loss from discontinued operations totaled $6.9 million for the six months ended June 30, 2010 and related to the operations of Toronto Dundas Square (including the gain on acquisition and transaction costs related to the acquisition of this property on March 4, 2010); the operations of the Gary Farrell winery sold on April 28, 2011; the Pope Valley winery which was held for sale as of June 30, 2011; a parcel of land in Arroyo Grande, California disposed of in the third quarter of 2010; and an entertainment retail center in White Plains, New York and a ten acre vineyard and winery facility in Napa Valley, California, which were both disposed of in the second quarter of 2010.

Gain on sale of real estate from discontinued operations of $18.3 million for the six months ended June 30, 2011 was due to the sale of Toronto Dundas Square. Loss on sale of real estate from discontinued operations of $0.9 million for the six months ended June 30, 2010 was due to the sale of a ten acre vineyard and winery facility in Napa Valley, California for $6.5 million.

Net loss attributable to noncontrolling interest was $1.8 million for the six months ended June 30, 2010 and related to the consolidation of a VIE at the entertainment retail center in White Plains, New York. Our interest in the VIE was extinguished in connection with the settlement entered into with Mr. Cappelli and his affiliates on June 18, 2010.

Liquidity and Capital Resources

Cash and cash equivalents were $15.7 million at June 30, 2011. In addition, we had restricted cash of $34.1 million at June 30, 2011. Of the restricted cash at June 30, 2011, $10.8 million relates to cash held for our borrowers debt service reserves for mortgage notes receivable, $15.8 million relates to escrow balances required in connection with the sale of Toronto Dundas Square and the balance represents deposits required in connection with debt service, payment of real estate taxes and capital improvements.

Mortgage Debt, Senior Notes, Credit Facilities and Term Loan

As of June 30, 2011, we had total debt outstanding of $1.0 billion. As of June 30, 2011, $697.5 million of debt outstanding was fixed rate mortgage debt secured by a portion of our rental properties and mortgage notes receivable, with a weighted average interest rate of approximately 6.1%.

We have $250.0 million in senior unsecured notes due on July 15, 2020. The notes bear interest at 7.75%. Interest is payable on July 15 and January 15 of each year beginning on January 15, 2011 until the stated maturity date of July 15, 2020. The notes were issued at 98.29% of their principal amount and are guaranteed by certain of our subsidiaries. The notes contain various covenants, including: (i) a limitation on incurrence of any debt which would cause the ratio of our debt to adjusted total assets to exceed 60%; (ii) a limitation on incurrence of any secured debt which would cause the ratio of secured debt to adjusted total assets to exceed 40%; (iii) a limitation on incurrence of any debt which would cause our debt service coverage ratio to be less than 1.5 times; and (iv) the maintenance at all times of our total unencumbered assets to be not less than 150% of our outstanding unsecured debt.

At June 30, 2011, we had $90.0 million in debt outstanding under our $382.5 million unsecured revolving credit facility, with interest at a floating rate (3.19% at June 30, 2011). The facility has a term expiring December 1, 2013. The amount that we are able to borrow on our revolving credit facility is a function of the values and advance rates, as defined by the credit agreement, assigned to the assets included in the borrowing base less outstanding letters of credit and less other liabilities. As of June 30, 2011, our total availability under the revolving credit facility was $292.5 million.

Our principal investing activities are acquiring, developing and financing entertainment, entertainment-related, public charter schools and other destination recreational and specialty properties. These investing activities have generally been financed with mortgage debt and the proceeds from equity offerings. Our revolving credit facility and our term loans are also used to finance the acquisition or development of properties, and to provide mortgage financing. We may also issue debt securities in public or private offerings. Continued growth of our rental property and mortgage financing portfolios will depend in part on our continued ability to access funds through additional borrowings and securities offerings.

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Certain of our long-term debt agreements contain customary restrictive covenants related to financial and operating performance. At June 30, 2011, we were in compliance with all restrictive covenants.

Liquidity Requirements

Short-term liquidity requirements consist primarily of normal recurring corporate operating expenses, debt service requirements and distributions to shareholders. We meet these requirements primarily through cash provided by operating activities. Net cash provided by operating activities was $92.3 million and $74.6 million for the six months ended June 30, 2011 and 2010, respectively. Net cash provided by investing activities was $144.0 million for the six months ended June 30, 2011 and net cash used in investing activities was $304.3 million for the six months ended June 30, 2010. Net cash provided by financing activities was $232.7 million for the six months ended June 30, 2011 and net cash used by financing activities was $228.8 for the six months ended June 30, 2010. We anticipate that our cash on hand, cash from operations, and funds available under our revolving credit facility will provide adequate liquidity to fund our operations, make interest and principal payments on our debt, and allow distributions to our shareholders and avoid corporate level federal income or excise tax in accordance with REIT Internal Revenue Code requirements.

On July 29, 2011, we issued a notice of redemption to the registered holders of all 3.2 million outstanding shares of our Series B preferred shares notifying such holders of our intent to redeem all such shares outstanding on August 31, 2011. The shares will be redeemed at a redemption price of $25.32 per share which represents an aggregate payment of $81.0 million. This price is the sum of the $25.00 per share liquidation preference and a quarterly dividend per share of $0.484375 prorated through the redemption date.

Commitments

As of June 30, 2011, we had two theatre development projects and one retail development project under construction for which we had agreed to finance the development costs. At June 30, 2011, we have commitments to fund approximately $17.7 million of additional improvements which are expected to be funded in 2011 and early 2012. Development costs are advanced by us in periodic draws. If we determine that construction is not being completed in accordance with the terms of the development agreements, we can discontinue funding construction draws. We have agreed to lease the properties to the operators at pre-determined rates upon completion of construction.

We acquired six public charter school properties and have agreed to finance the development costs. At June 30, 2011, we have commitments to fund approximately $26.7 million of additional improvements for these properties which are expected to be funded in 2011. Development costs are advanced by us in periodic draws. If we determine that construction is not being completed in accordance with the terms of the development agreements, we can discontinue funding construction draws. We have agreed to lease the properties to the operators at pre-determined rates upon completion of construction.

We have provided a guarantee of the payment of certain economic development revenue bonds related to four theatres in Louisiana for which we earn a fee at an annual rate of 1.75% over the 30 year term of the bond. We have recorded $3.2 million as a deferred asset included in other assets and $3.2 million included in other liabilities in the accompanying consolidated balance sheet as of June 30, 2011 related to this guarantee. No amounts have been accrued as a loss contingency related to this guarantee because management has determined that payment by us is not probable.

We have certain commitments related to our mortgage note investments that we may be required to fund in the future. We are generally obligated to fund these commitments at the request of the borrower or upon the occurrence of events outside of its direct control. As of June 30, 2011, we had mortgage notes receivable with commitments totaling approximately $31.8 million. If commitments are funded in the future, interest will be charged at rates consistent with the existing investments.

Liquidity Analysis

In analyzing our liquidity, we generally expect that our cash provided by operating activities will meet our normal recurring operating expenses, recurring debt service requirements and distributions to shareholders.

We have no significant consolidated debt that matures before 2012. During 2012, we have approximately $65.3 million of consolidated debt maturities. Our cash commitments, as described above, include additional commitments under various mortgage notes receivable totaling approximately $31.8 million. Of the $31.8 million of mortgage note receivable commitments, approximately $3.5 million is expected to be funded in 2011. Additionally, we expect to fund $44.4 million in 2011 and early 2012 for the two theatre, one retail and six public charter school property developments discussed above. We also expect to redeem the Series B preferred shares in the third quarter of 2011 for an aggregate payment of approximately $81.0 million as discussed above.

Our sources of liquidity as of June 30, 2011 to pay the above commitments and Series B preferred redemption include the remaining amount available under our unsecured revolving credit facility of approximately $292.5 million and unrestricted cash on hand of $15.7 million. Accordingly, while there can be no assurance, we expect that our sources of cash will exceed our existing commitments over the remainder of 2011.

We believe that we will be able to repay, extend, refinance or otherwise settle our debt obligations for 2012 and thereafter as the debt comes due, and that we will be able to fund our remaining commitments as necessary. However, there can be no assurance that additional financing or capital will be available, or that terms will be acceptable or advantageous to us.

Our primary use of cash after paying operating expenses, debt service, distributions to shareholders and funding existing commitments is in growing our investment portfolio through the acquisition, development and financing of additional properties. We expect to finance these investments with borrowings under our revolving credit facility, as well as long-term debt and equity financing alternatives. The availability and terms of any such financing will depend upon market and other conditions. If we borrow the maximum amount available under our revolving credit facility, there can be no assurance that we will be able to obtain additional investment financing (See Risk Factors in the Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 1, 2011).

Off Balance Sheet Arrangements

At June 30, 2011, we had a 32.8% and 25.7% investment interest in two unconsolidated real estate joint ventures, Atlantic-EPR I and Atlantic-EPR II, respectively, which are accounted for under the equity method of accounting. We do not anticipate any material impact on our liquidity as a result of commitments involving those joint ventures. On May 1, 2010, we contributed an additional $14.9 million to Atlantic-EPR I to pay off the Partnership s long-term debt at its maturity of May 1, 2010. We expect to earn a priority return of 15% on our additional contribution per the partnership agreement. We recognized income of $1,362 and $627 (in thousands) from our investment in the

Atlantic-EPR I joint venture during the six months ended June 30, 2011 and 2010, respectively. We recognized income of $182 and $177 (in thousands) from our investment in the Atlantic-EPR II joint venture during the six months ended June 30, 2011 and 2010, respectively. The Atlantic-EPR II joint venture has a mortgage note payable secured by a megaplex theatre. The note held by Atlantic EPR-II totals $12.4 million at June 30, 2011 and matures in September 2013.

The partnership agreements for Atlantic-EPR I and Atlantic-EPR II allow our partner, Atlantic of Hamburg, Germany (Atlantic), to exchange up to a maximum of 10% of its ownership interest per year in each of the joint ventures for common shares of the Company or, at our discretion, the cash value of those shares as defined in each of the partnership agreements. During 2011, we have paid Atlantic cash of $713 and $258 (in thousands) in exchange for additional ownership of 3.1% and 2.0% for Atlantic-EPR I and Atlantic-EPR II, respectively. These exchanges did not impact total partners equity in either Atlantic-EPR I or Atlantic-EPR II.

In addition, as of June 30, 2011, we had invested $4.2 million in unconsolidated joint ventures for three theatre projects located in China. We recognized income of $11 and a loss of $148 (in thousands) from our investment in these joint ventures for the six months ended June 30, 2011 and 2010, respectively.

Capital Structure and Coverage Ratios

We believe that our shareholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest, fixed charge and debt service coverage ratios. We expect to maintain our debt to gross assets ratio (i.e. total long-term debt to total assets plus accumulated depreciation) between 35% and 45%. However, the timing and size of our equity and debt offerings as well as the timing and size of new investments and dispositions may cause us to temporarily operate outside of this threshold. At June 30, 2011, this ratio was 34%. Our long-term debt as a percentage of our total market capitalization at June 30, 2011 was 29%; however, we do not manage to a ratio based on total market capitalization due to the inherent variability that is driven by changes in the market price of our common shares. We calculate our total market capitalization of $3.6 billion by aggregating the following at June 30, 2011

Common shares outstanding of 46,656,690 multiplied by the last reported sales price of our common shares on the NYSE of $46.70 per share, or $2.2 billion;

Aggregate liquidation value of our Series B preferred shares of $80.0 million;

Aggregate liquidation value of our Series C convertible preferred shares of $135.0 million;

Aggregate liquidation value of our Series D preferred shares of $115.0 million;

Aggregate liquidation value of our Series E convertible preferred shares of $86.3 million; and

Total long-term debt of $1.0 billion.

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Our interest coverage ratio for the six months ended June 30, 2011 and 2010 was 3.6 times and 3.2 times, respectively. Interest coverage is calculated as the interest coverage amount (as calculated in the following table) divided by interest expense, gross (as calculated in the following table). We consider the interest coverage ratio to be an appropriate supplemental measure of a company s ability to meet its interest expense obligations. Our calculation of the interest coverage ratio may be different from the calculation used by other companies, and therefore, comparability may be limited. This information should not be considered as an alternative to any GAAP liquidity measures. The following table shows the calculation of our interest coverage ratios. Amounts below include the impact of discontinued operations, which are separately classified in the consolidated statements of income included in this Quarterly Report on Form 10-Q (unaudited, dollars in thousands):

	Six Months Ended June 30,	
	2011	**2010**
Net income	$ 41,735	$ 43,838
Interest expense, gross	36,388	39,635
Interest cost capitalized	(250)	(175)
Depreciation and amortization	26,011	26,035
Share-based compensation expense to management and trustees	2,841	2,334
Costs associated with loan refinancing	6,388	15,620
Straight-line rental revenue	(576)	(815)
Gain on sale of real estate from discontinued operations	(18,293)	934
Transaction costs	1,349	7,635
Provision for loan losses		700
Impairment charges	36,056	
Gain on acquisition		(8,468)
Interest coverage amount	$ 131,649	$ 127,273
Interest expense, net	$ 36,132	$ 39,426
Interest income	6	34
Interest cost capitalized	250	175
Interest expense, gross	$ 36,388	$ 39,635
Interest coverage ratio	3.6	3.2

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The interest coverage amount per the above table is a non-GAAP financial measure and should not be considered an alternative to any GAAP liquidity measures. It is most directly comparable to the GAAP liquidity measure, Net cash provided by operating activities, and is not directly comparable to the GAAP liquidity measures, Net cash used in investing activities and Net cash provided by financing activities. The interest coverage amount can be reconciled to Net cash provided by operating activities per the consolidated statements of cash flows included in this Quarterly Report on Form 10-Q as follows. Amounts below include the impact of discontinued operations, which are separately classified in the consolidated statements of cash flows included in this Quarterly Report on Form 10-Q (unaudited, dollars in thousands):

	Six Months Ended June 30, 2011	2010
Net cash provided by operating activities	$ 92,330	$ 74,643
Equity in income from joint ventures	1,555	656
Distributions from joint ventures	(1,304)	(855)
Amortization of deferred financing costs	(1,787)	(2,626)
Amortization of above market leases, net	(20)	(61)
Increase in mortgage notes accrued interest receivable		828
Decrease in restricted cash	(1,649)	(3,093)
Increase (decrease) in accounts receivable, net	(4,655)	3,388
Decrease in notes and accrued interest receivable	(48)	(20)
Increase in direct financing lease receivable	2,553	2,337
Increase in other assets	2,457	3,020
Decrease (increase) in accounts payable and accrued liabilities	526	(8,236)
Decrease in unearned rents	151	1,350
Straight-line rental revenue	(576)	(815)
Interest expense, gross	36,388	39,635
Interest cost capitalized	(250)	(175)
Costs associated with loan refinancing (cash portion)	4,629	9,662
Transaction costs	1,349	7,635
Interest coverage amount	$ 131,649	$ 127,273

Our fixed charge coverage ratio for the six months ended June 30, 2011 and 2010 was 2.6 times and 2.3 times, respectively. The fixed charge coverage ratio is calculated in exactly the same manner as the interest coverage ratio, except that preferred share dividends are also added to the denominator. We consider the fixed charge coverage ratio to be an appropriate supplemental measure of a company s ability to make its interest and preferred share dividend payments. Our calculation of the fixed charge coverage ratio may be different from the calculation used by other companies and, therefore, comparability may be limited. This information should not be considered as an alternative to any GAAP liquidity measures. The following table shows the calculation of our fixed charge coverage ratios (unaudited, dollars in thousands):

	Six Months Ended June 30, 2011	2010
Interest coverage amount	$ 131,649	$ 127,273
Interest expense, gross	36,388	39,635
Preferred share dividends	15,103	15,103
Fixed charges	$ 51,491	$ 54,738
Fixed charge coverage ratio	2.6	2.3

Our debt service coverage ratio for the six months ended June 30, 2011 and 2010 was 2.7 times and 2.4 times, respectively. The debt service coverage ratio is calculated in exactly the same manner as the interest coverage ratio, except that recurring principal payments are also added to the denominator. We consider the debt service coverage ratio to be an appropriate supplemental measure of a company s ability to make its debt service payments. Our calculation of the debt service coverage ratio may be different from the calculation used by other companies and, therefore, comparability may be limited.

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This information should not be considered as an alternative to any GAAP liquidity measures. The following table shows the calculation of our debt service coverage ratios (unaudited, dollars in thousands):

	Six Months Ended June 30, 2011	2010
Interest coverage amount	$ 131,649	$ 127,273
Interest expense, gross	36,388	39,635
Recurring principal payments	12,273	14,475
Debt service	$ 48,661	$ 54,110
Debt service coverage ratio	2.7	2.4

Funds From Operations (FFO)

The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP and management provides FFO herein because it believes this information is useful to investors in this regard. FFO is a widely used measure of the operating performance of real estate companies and is provided here as a supplemental measure to GAAP net income available to common shareholders and earnings per share. FFO, as defined under the NAREIT definition and presented by us, is net income available to common shareholders, computed in accordance with GAAP, excluding gains and losses from sales of depreciable operating properties, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships, joint ventures and other affiliates. Adjustments for unconsolidated partnerships, joint ventures and other affiliates are calculated to reflect FFO on the same basis. FFO is a non-GAAP financial measure. FFO does not represent cash flows from operations as defined by GAAP and is not indicative that cash flows are adequate to fund all cash needs and is not to be considered an alternative to net income or any other GAAP measure as a measurement of the results of our operations or our cash flows or liquidity as defined by GAAP. It should also be noted that not all REITs calculate FFO the same way so comparisons with other REITs may not be meaningful.

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The following table summarizes our FFO, FFO per share and certain other financial information for the three and six months ended June 30, 2011 and 2010 (unaudited, in thousands, except per share information):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net income (loss) available to common shareholders of Entertainment Properties Trust	$ (7,549)	$ 8,036	$ 26,630	$ 30,560
Loss (gain) on sale of real estate		934	(18,293)	934
Real estate depreciation and amortization	11,873	13,527	25,471	25,800
Allocated share of joint venture depreciation	112	72	221	137
Noncontrolling interest		(872)		(1,905)
FFO available to common shareholders of Entertainment Properties Trust	$ 4,436	$ 21,697	$ 34,029	$ 55,526
FFO per common share attributable to Entertainment Properties Trust:				
Basic	$ 0.10	$ 0.48	$ 0.73	$ 1.27
Diluted	0.09	0.48	0.73	1.26
Shares used for computation (in thousands):				
Basic	46,648	44,869	46,576	43,865
Diluted	46,956	45,214	46,880	44,185
Other financial information:				
Dividends per common share	$ 0.70	$ 0.65	$ 1.40	$ 1.30

The additional 1.9 million common shares that would result from the conversion of our 5.75% Series C cumulative convertible preferred shares and the additional 1.6 million common shares that would result from the conversion of our 9.0% Series E cumulative convertible preferred shares and the corresponding add-back of the preferred dividends declared on those shares are not included in the calculation of diluted earnings per share and diluted FFO per share for the three and six months ended June 30, 2011 and 2010 because the effect is anti-dilutive.

Adjusted Funds From Operations (AFFO)

In addition to FFO, AFFO is presented by adding to FFO non-cash impairment charges and provision for loan losses, transaction costs, non-real estate depreciation and amortization, deferred financing fees amortization, costs associated with loan refinancing, share-based compensation expense to management and trustees and amortization of above market leases, net; and subtracting maintenance capital expenditures (including second generation tenant improvements and leasing commissions), straight-lined rental revenue, the non-cash portion of mortgage and other financing income and gain on acquisition. AFFO is a widely used measure of the operating performance of real estate companies and is provided here as a supplemental measure to GAAP net income available to common shareholders and earnings per share, and management provides AFFO herein because it believes this information is useful to investors in this regard. AFFO is a non-GAAP financial measure and should not be considered an alternative to any GAAP liquidity measures. AFFO does not represent cash flows from operations as defined by GAAP and is not indicative that cash flows are adequate to fund all cash needs and is not to be considered an alternative to net income or any other GAAP measure as a measurement of the results of our operations or our cash flows or liquidity as defined by GAAP. It should also be noted that not all REITs calculate AFFO the same way so comparisons with other REITs may not be meaningful.

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The following table summarizes our AFFO for the three and six months ended June 30, 2011 and 2010 (in thousands):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
FFO available to common shareholders of Entertainment Properties Trust	$ 4,436	$ 21,697	$ 34,029	$ 55,526
Adjustments:				
Non-cash impairment charges and provision for loan losses	34,256		36,056	700
Transaction costs	76	111	1,349	7,635
Non-real estate depreciation and amortization	269	97	539	227
Deferred financing fees amortization	764	1,390	1,787	2,626
Costs associated with loan refinancing		15,620	6,388	15,620
Share-based compensation expense to management and trustees	1,474	1,172	2,841	2,334
Maintenance capital expenditures (1)	(600)	(163)	(2,202)	(451)
Straight-lined rental revenue	(58)	(469)	(576)	(815)
Non-cash portion of mortgage and other financing income	(1,350)	(1,257)	(2,608)	(3,263)
Amortization of above market leases, net		39		61
Gain on acquisition			20	(8,468)
AFFO available to common shareholders of Entertainment Properties Trust	$ 39,267	$ 38,237	$ 77,623	$ 71,732

(1) Includes maintenance capital expenditures and certain second generation tenant improvements and leasing commissions.

Impact of Recently Issued Accounting Standards

In January 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-1 (ASU 2011-1). ASU 2011-1 temporarily deferred the disclosures regarding troubled debt restructurings which were included in the disclosure requirements about the credit quality of financing receivables and the allowance for credit losses which was issued in July 2010. In April 2011, the FASB issued additional guidance and clarifications to help creditors in determining whether a creditor has granted a concession, and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The new guidance and the previously deferred disclosures are effective July 1, 2011 applied retrospectively to January 1, 2011. Prospective application is required for any new impairment identified as a result of this guidance. We do not expect that the adoption of these new disclosure requirements will have a material impact on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. ASU 2011-05 is effective for us in our first quarter of 2012 and is required to be applied retrospectively. We are currently evaluating the impact of our pending adoption of ASU 2011-05 on our consolidated financial statements, but we do not expect its adoption will have a material effect on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, primarily relating to potential losses due to changes in interest rates and foreign currency exchange rates. We seek to mitigate the effects of fluctuations in interest rates by matching the term of new investments with new long-term fixed rate borrowings whenever possible. We also have a $382.5 million unsecured revolving credit facility with $90.0 million outstanding as of June 30, 2011 and a $10.7 million bond, both of which bear interest at a floating rate.

We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of such refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings are subject to mortgages or contractual agreements which limit the amount of indebtedness we may incur. Accordingly, if we are unable to raise additional equity or borrow money due to these limitations, our ability to make additional real estate investments may be limited.

We are exposed to foreign currency risk against our functional currency, the U.S. dollar, on our four Canadian properties. We financed the acquisition of these Canadian entertainment retail centers with a fixed rate mortgage loan from a Canadian lender in the original aggregate principal amount of approximately U.S. $97 million. The loan was made and is payable by us in CAD, and the rents received from tenants of the properties are payable in CAD.

As discussed above, we have partially mitigated the impact of foreign currency exchange risk on our Canadian properties by matching Canadian dollar debt financing with Canadian dollar rents. To further mitigate our foreign currency risk in future periods on these Canadian properties, during the second quarter of 2007, we entered into a cross currency swap with a notional value of $76.0 million CAD and $71.5 million U.S. The swap calls for monthly exchanges from January 2008 through February 2014 with us paying CAD based on an annual rate of 17.16% of the notional amount and receiving U.S. dollars based on an annual rate of 17.4% of the notional amount. There is no initial or final exchange of the notional amounts. The net effect of this swap is to lock in an exchange rate of $1.05 CAD per U.S. dollar on approximately $13 million of annual CAD denominated cash flows. These foreign currency derivatives should hedge a significant portion of our expected CAD denominated FFO of our Canadian properties through February 2014 as their impact on our reported FFO when settled should move in the opposite direction of the exchange rates utilized to translate revenues and expenses of these properties.

In order to also hedge our net investment on our Canadian properties, we entered into a forward contract with a notional amount of $100 million CAD and a February 2014 settlement date which coincides with the maturity of our underlying mortgage on these four properties. The exchange rate of this forward contract is approximately $1.04 CAD per U.S. dollar. This forward contract should hedge a significant portion of our CAD denominated net investment in these centers through February 2014 as the impact on accumulated other comprehensive income from marking the derivative to market should move in the opposite direction of the translation adjustment on the net assets of our Canadian properties.

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Additionally, we have entered into foreign currency forward agreements to hedge the currency fluctuations related to the monthly cash flows of our Canadian properties. These foreign currency forwards settle at the end of each month from April to December 2011 and lock in an exchange rate of $0.99 CAD per U.S. dollar on approximately $500 thousand monthly CAD denominated cash flows.

See Note 11 to the consolidated financial statements in this Form 10-Q for additional information on our derivative financial instruments and hedging activities.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our disclosure controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people, or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

There have not been any changes in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Other than routine litigation and administrative proceedings arising in the ordinary course of business, we are not presently involved in any litigation nor, to our knowledge, is any litigation threatened against us or our properties, which is reasonably likely to have a material adverse effect on our liquidity or results of operations.

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Item 1A. Risk Factors

There were no material changes during the quarter from the risk factors previously discussed in Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 through April 30, 2011 common stock		$		$
May 1 through May 31, 2011 common stock				
June 1 through June 30, 2011 common stock	2,054 (1)	44.77		
Total	2,054	$ 44.77		$

(1) The repurchase of equity securities during June of 2011 was completed in conjunction with an employee stock option exercise. These repurchases were not made pursuant to a publicly announced plan or program.

Item 3. Defaults Upon Senior Securities

There were no reportable events during the quarter ended June 30, 2011.

Item 4. (Removed and Reserved)

Item 5. Other Information

There were no reportable events during the quarter ended June 30, 2011.

Item 6. Exhibits

31.1*	Certification of David M. Brain, Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Mark A. Peterson, Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

PLEASE NOTE: Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed or incorporated by reference the agreements referenced above as exhibits to this Quarterly Report on Form 10-Q. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company s public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

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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.

	ENTERTAINMENT PROPERTIES TRUST
Dated: August 1, 2011	By /s/ David M. Brain David M. Brain, President Chief Executive Officer (Principal Executive Officer)
Dated: August 1, 2011	By /s/ Mark A. Peterson Mark A. Peterson, Vice President Chief Financial Officer (Principal Financial Officer and Chief Accounting Officer)

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