

CBL & ASSOCIATES PROPERTIES INC
Form 10-K
March 01, 2007
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2006

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 1-12494

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of incorporate or organization)

62-1545718

(I.R.S. Employer Identification No.)

2030 Hamilton Place Blvd, Suite 500

Chattanooga, TN

(Address of principal executive office)

37421

(Zip Code)

Registrant's telephone number, including area code **(423) 855-0001**

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Securities registered pursuant to Section 12(b) of the Act:

| Title of each Class | Name of each exchange on which registered |
|---|--|
| Common Stock, \$0.01 par value | New York Stock Exchange |
| 8.75% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value | New York Stock Exchange |
| 7.75% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value | New York Stock Exchange |
| 7.375% Series D Cumulative Redeemable Preferred Stock, \$0.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 periods that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x

Accelerated filer o

Non-accelerated filer o

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

The aggregate market value of the 58,973,997 shares of common stock held by non-affiliates of the registrant as of June 30, 2006 was \$2,295,857,703, based on the closing price of \$38.93 per share on the New York Stock Exchange on June 30, 2006. (For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the registrant.)

As of February 21, 2007 there were 65,537,048 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the annual shareholders meeting to be held on May 7, 2007, are incorporated by reference into Part III.

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Cautionary Statement Relevant to Forward-Looking Information for the Purpose of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

Certain statements made in this section or elsewhere in this report may be deemed forward looking statements within the meaning of the federal securities laws. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we cannot give assurance that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. In addition to the risk factors discussed below in Item 1A of this report, such risks and uncertainties include, without limitation, general industry, economic and business conditions, interest rate fluctuations, costs of capital and capital requirements, availability of real estate properties, inability to consummate acquisition opportunities, competition from other companies and retail formats, changes in retail rental rates in our markets, shifts in customer demands, tenant bankruptcies or store closings, changes in vacancy rates at our properties, changes in operating expenses, changes in applicable laws, rules and regulations, the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future business. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

Part I.

ITEM 1. BUSINESS

Background

CBL & Associates Properties, Inc. (CBL) was organized on July 13, 1993, as a Delaware corporation, to acquire substantially all of the real estate properties owned by CBL & Associates, Inc., and its affiliates (CBL 's Predecessor), which was formed by Charles B. Lebovitz in 1978. On November 3, 1993, CBL completed an initial public offering (the Offering). Simultaneously with the completion of the Offering, CBL 's Predecessor transferred substantially all of its interests in its real estate properties to CBL & Associates Limited Partnership (the Operating Partnership) in exchange for common units of limited partnership interest in the Operating Partnership. The interests in the Operating Partnership contain certain conversion rights that are more fully described in Note 9 to the consolidated financial statements. The terms we , us , our and the Company refer to CBL & Associates Properties, Inc. and its subsidiaries.

Recent Developments

In February 2006, we amended one of our secured credit facilities to increase the maximum availability from \$373.0 million to \$476.0 million, extend the maturity date from February 28, 2006 to February 28, 2009 plus a one-year extension option, increase the minimum tangible net worth requirement, as defined, from \$1.0 billion to \$1.37 billion and increase the limit on the maximum availability that we may request from \$500.0 million to \$650.0 million.

In May 2006, we sold three community centers for an aggregate sales price of \$42.3 million and recognized a gain of \$7.2 million. We sold two additional community centers in May 2006 for an aggregate sales price of \$63.0 million and recognized an impairment loss of \$0.3 million. All five of these community centers were sold to Galileo America LLC in connection with a put right that we held.

In July 2006, we obtained four separate ten-year, non-recourse loans totaling \$317.0 million that bear interest at fixed rates ranging from 5.86% to 6.10%, with a weighted average of 5.96%. The proceeds were used to retire \$249.8 million of mortgage notes payable that were scheduled to

mature during the next twelve months and to pay outstanding balances on our credit facilities. We recognized a

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loss on extinguishment of debt of \$0.6 million in July 2006 related to prepayment fees and the write-off of unamortized deferred financing costs.

On August 22, 2006, we amended our unsecured credit facility with Wells Fargo Bank to increase the availability from \$500.0 million to \$560.0 million, extend the maturity date from August 27, 2006 to August 27, 2008 plus three one-year extension options, amend certain financial covenants to provide us with enhanced borrowing flexibility, increase the limit on the maximum availability that we may request from \$600.0 million to \$700.0 million and added a letter of credit feature to the credit facility.

The Company's Business

We are a self-managed, self-administered, fully integrated real estate investment trust (REIT). We own, develop, acquire, lease, manage, and operate regional malls and open-air and community shopping centers. Our shopping center properties are located in 27 states, but primarily in the southeastern and midwestern United States. We have elected to be taxed as a REIT for federal income tax purposes.

We conduct substantially all of our business through the Operating Partnership. We are the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. CBL Holdings I, Inc. is the sole general partner of the Operating Partnership. At December 31, 2006, CBL Holdings I, Inc. owned a 1.6% general partnership interest and CBL Holdings II, Inc. owned a 54.7% limited partnership interest in the Operating Partnership, for a combined interest held by us of 56.3%.

As of December 31, 2006, we owned:

- § interests in a portfolio of operating properties including 77 enclosed regional malls and two open-air centers (the Malls), 31 associated centers (the Associated Centers), five community centers (the Community Centers) and our corporate office building (the Office Building);
- § interests in seven mall/lifestyle expansions, one open-air center, one open-air shopping center expansion, one associated center and three community centers that are currently under construction (the Construction Properties), as well as options to acquire certain shopping center development sites; and
- § mortgages on 13 properties that are secured by first mortgages or wrap-around mortgages on the underlying real estate and related improvements (the Mortgages).

The Malls, Associated Centers, Community Centers, Construction Properties, Mortgages and Office Building are collectively referred to as the Properties and individually as a Property.

We conduct our property management and development activities through CBL & Associates Management, Inc. (the Management Company) to comply with certain technical requirements of the Internal Revenue Code of 1986, as amended.

The Management Company manages all but three of the Properties. Governor's Square and Governor's Plaza in Clarksville, TN, and Kentucky Oaks Mall, in Paducah, KY are all owned by joint ventures and are managed by a property manager that is affiliated with the third party managing general partner, which receives a fee for its services. The managing partner of each of these Properties controls the cash flow

distributions, although our approval is required for certain major decisions.

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The majority of our revenues are derived from leases with retail tenants and generally include minimum rents, percentage rents based on tenants sales volumes and reimbursements from tenants for expenditures related to property operating expenses, real estate taxes, insurance and maintenance and repairs, as well as certain capital expenditures. We also generate revenues from advertising, sponsorships, sales of peripheral land at the Properties and from sales of real estate assets when it is determined that we can realize a premium value for the assets. Proceeds from such sales are generally used to reduce borrowings on our credit facilities.

The following terms used in this annual report on Form 10-K will have the meanings described below:

- § GLA refers to gross leasable area of retail space in square feet, including anchors and mall tenants
- § Anchor refers to a department store or other large retail store
- § Freestanding property locations that are not attached to the primary complex of buildings that comprise the mall shopping center
- § Outparcel land used for freestanding developments, such as retail stores, banks and restaurants, on the periphery of the Properties

Significant Markets

Our top five markets, in terms of revenues, were as follows for the year ended December 31, 2006:

| Market | Percentage | |
|-------------------|------------|----------|
| | Total of | Revenues |
| Nashville, TN | 5.7 | % |
| Pittsburgh, PA | 4.9 | % |
| Overland Park, KS | 4.2 | % |
| Madison, WI | 3.2 | % |
| Chattanooga, TN | 3.0 | % |

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Top 25 Tenants

Our top 25 tenants based on percentage of total revenues were as follows for the year ended December 31, 2006:

| | Tenant | Number of | | Annual Gross | | Percentage of Total Revenues | |
|----|--|-----------|-------------|----------------|-------|------------------------------|---|
| | | Stores | Square Feet | Rentals (1) | | | |
| 1 | Limited Brands, LLC | 227 | 1,373,565 | \$ 47,671,538 | 4.74 | | % |
| 2 | Foot Locker, Inc. | 194 | 753,110 | 29,846,809 | 2.97 | | % |
| 3 | The Gap, Inc. | 98 | 1,003,202 | 24,028,013 | 2.39 | | % |
| 4 | Abercrombie & Fitch, Co. | 74 | 505,346 | 18,014,698 | 1.79 | | % |
| 5 | AE Outfitters Retail Company | 72 | 399,330 | 16,239,348 | 1.61 | | % |
| 6 | Signet Group PLC (2) | 109 | 172,405 | 15,933,859 | 1.58 | | % |
| 7 | Finish Line, Inc. | 80 | 407,017 | 15,145,098 | 1.51 | | % |
| 8 | Zale Corporation | 145 | 146,318 | 14,506,203 | 1.44 | | % |
| 9 | Luxottica Group, S.P.A. (3) | 139 | 294,809 | 13,524,240 | 1.34 | | % |
| 10 | JC Penney Co. Inc. (4) | 68 | 7,618,875 | 13,175,977 | 1.31 | | % |
| 11 | New York & Company, Inc. | 49 | 364,227 | 12,195,910 | 1.21 | | % |
| 12 | The Regis Corporation | 200 | 232,361 | 11,579,244 | 1.15 | | % |
| 13 | Dick's Sporting Goods, Inc. | 13 | 770,686 | 11,046,980 | 1.10 | | % |
| 14 | Genesco Inc. (5) | 149 | 193,550 | 11,006,429 | 1.09 | | % |
| 15 | The Children's Place Retail Stores, Inc. (6) | 63 | 269,387 | 10,752,746 | 1.07 | | % |
| 16 | Pacific Sunwear of California | 86 | 298,660 | 10,658,390 | 1.06 | | % |
| 17 | Charming Shoppes, Inc. (7) | 54 | 321,104 | 9,548,131 | 0.95 | | % |
| 18 | Aeropostale, Inc. | 68 | 230,104 | 9,378,531 | 0.93 | | % |
| 19 | Trans World Entertainment (8) | 68 | 302,746 | 9,212,133 | 0.92 | | % |
| 20 | Christopher & Banks, Inc. | 71 | 244,094 | 8,392,940 | 0.83 | | % |
| 21 | Hallmark Cards, Inc. | 66 | 264,337 | 8,246,956 | 0.82 | | % |
| 22 | The Buckle, Inc. | 46 | 225,408 | 8,052,582 | 0.80 | | % |
| 23 | Charlotte Russe Holding, Inc. | 36 | 251,336 | 7,956,383 | 0.79 | | % |
| 24 | Claire's Stores, Inc. | 115 | 131,996 | 7,844,315 | 0.78 | | % |
| 25 | Federated Department Stores, Inc. (9) | 80 | 5,981,863 | 7,757,476 | 0.77 | | % |
| | | 2,370 | 22,755,836 | \$ 351,714,929 | 34.95 | | % |

- (1) Includes annual minimum rent and tenant reimbursements based on amounts in effect at December 31, 2006.
- (2) Signet Group PLC operates Kay Jewelers, Marks & Morgan, JB Robinson, Shaw's Jewelers, Osterman's Jewelers, LeRoy's Jewelers, Jared Jewelers, Belden Jewelers, and Rogers Jewelers.
- (3) Luxottica Group, S.P.A. operates Lenscrafters, Sunglass Hut, and Pearl Vision. As of September 29, 2006, they no longer operate Things Remembered stores.
- (4) JC Penney Co. Inc. owns 28 of these stores.
- (5) Genesco Inc. operates Journey's, Jarman, Underground Station, Hat World, Lids, Hat Zone, and Cap Factory stores.
- (6) The Children's Place Retail Stores, Inc. also operates The Disney Stores.
- (7) Charming Shoppes, Inc. operates Lane Bryant, Fashion Bug, and Catherine's.
- (8) Trans World Entertainment operates FYE (formerly Camelot Music and Record Town), Sam Goody, Suncoast Motion Picture, and Saturday Matinee.
- (9) Federated Department Stores, Inc. merged with May Company in 2005. They now operate After Hours Formalwear, Desmond's Formal Wear, Mitchell's Formal Wear, Tuxedo World, David's Bridal, and 41 Macy's department stores.

Our Growth Strategy

Our objective is to achieve growth in funds from operations by maximizing cash flows through a variety of methods that are discussed below.

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Leasing, Management and Marketing

Our objective is to maximize cash flows from our existing Properties through:

- § aggressive leasing that seeks to increase occupancy,
- § originating and renewing leases at higher base rents per square foot compared to the previous lease,
- § merchandising, marketing, sponsorship and promotional activities and
- § aggressively controlling operating costs and resulting tenant occupancy costs.

Renovations and Redevelopments

Redevelopments represent situations where we capitalize on opportunities to add incremental square footage or increase the productivity of previously occupied space through aesthetic upgrades, retenanting and/or changing the use of the space. Many times, redevelopments result from acquiring possession of anchor space and subdividing it into multiple spaces. The following presents redevelopments that we completed during 2006, as well as three that are scheduled to be completed in 2007:

| Property | Location | GLA | Opening Date |
|--|-----------------|------------|---------------------|
| Completed in 2006: | | | |
| Hickory Hollow Mall - former JCPenney | Nashville, TN | 138,189 | June |
| Cary Town Center - Lifestyle component | Cary, NC | 21,595 | November |
| Burnsville Center former Mervyn's Phase II | Burnsville, MN | 82,900 | April |
| | | 242,684 | |
| Scheduled for 2007: | | | |
| Mall del Norte - Cinemark Theater | Laredo, TX | 72,000 | May |
| Northpark Mall former Wards | Little Rock, AR | 91,000 | August/October |
| Columbia Place former JC Penney | Columbia, SC | 125,000 | August/September |
| | | 288,000 | |

Renovations usually include renovating existing facades, uniform signage, new entrances and floor coverings, updating interior décor, resurfacing parking lots and improving the lighting of interiors and parking lots. Renovations can result in attracting new retailers, increased rental rates and occupancy levels and maintaining the Property's market dominance. As shown below, we renovated eight Properties during 2006 and expect to renovate five Properties during 2007.

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| Property | Location |
|--------------------------------|-----------------|
| <u>Completed in 2006:</u> | |
| CoolSprings Galleria | Nashville, TN |
| Chapel Hill Mall | Akron, OH |
| Hamilton Crossing | Chattanooga, TN |
| Harford Mall | Baltimore, MD |
| Madison Square | Huntsville, AL |
| Northpark Mall | Joplin, MO |
| Park Plaza | Little Rock, AR |
| Wausau Center | Wausau, WI |
| <u>Scheduled for 2007:</u> | |
| Honey Creek Mall | Terre Haute, IN |
| Georgia Square | Athens, GA |
| Mall del Norte | Laredo, TX |
| Brookfield Square | Brookfield, WI |
| Madison Plaza | Huntsville, AL |

Development of New Retail Properties and Expansions

In general, we seek development opportunities in middle-market trade areas that we believe are under-served by existing retail operations. These middle-markets must also have sufficient demographics to provide the opportunity to effectively maintain a competitive position. The following shows the new developments and expansions we opened during 2006 and those under construction at December 31, 2006:

| Property | Location | GLA | Opening Date |
|--|----------------------|------------|---------------------|
| <u>Completed in 2006:</u> | | | |
| Lakeview Point | Stillwater, OK | 207,300 | October |
| High Pointe Commons | Harrisburg, PA | 299,395 | October |
| Gulf Coast Town Center - Phase II (Anchors) | Ft. Myers, FL | 356,913 | October / November |
| The Shops at Pineda Ridge | Melbourne, FL | 169,974 | November |
| The Plaza at Fayette Mall | Lexington, KY | 190,309 | November |
| | | 1,223,891 | |
| <u>Currently under construction:</u> | | | |
| The Shoppes at St. Clair | Fairview Heights, IL | 84,080 | March 2007 |
| Gulf Coast Town Center - Phase II (Costco & small shops) | Ft. Myers, FL | 518,944 | March / May 2007 |
| Milford Marketplace | Milford, CT | 112,038 | July 2007 |
| Cobblestone Village at Palm Coast | Palm Coast, FL | 277,770 | October 2007 |
| Alamance Crossing East | Burlington, NC | 622,600 | August 2007 |
| York Town Center | York, PA | 280,645 | October 2007 |
| Pearland Town Center | Pearland, TX | 718,000 | October 2008 |
| | | 2,614,077 | |

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We can also generate additional revenues by expanding a Property through the addition of department stores, mall stores and large retail formats. An expansion also protects the Property's competitive position within its market. As shown below, we completed seven expansions during 2006 and expect to expand six Properties in 2007:

| Property | Location | GLA | Opening Date |
|--|-------------------|------------|---------------------|
| <u>Completed in 2006:</u> | | | |
| Southaven Town Center (Gordmans) | Southaven, MS | 59,360 | April |
| Cross Creek Mall (Starbucks and Salsaritas) | Fayetteville, NC | 4,900 | April |
| Coastal Grand - Myrtle Beach (PetSmart) | Myrtle Beach, SC | 20,100 | May |
| Hanes Mall - (Dick's Sporting Goods) | Winston-Salem, NC | 66,000 | July |
| Southaven Towne Center (Books-A-Million) | Southaven, MS | 15,500 | September |
| Cary Town Center (Starbucks & Pei Wei Diner) | Cary, NC | 5,000 | November |
| The District at Valley View - Phase I | Roanoke, VA | 14,000 | November |
| | | 184,860 | |
| <u>Scheduled for 2007:</u> | | | |
| The District at Valley View - Phase II | Roanoke, VA | 61,576 | March |
| Mall del Norte - Cinemark Theater | Laredo, TX | 72,000 | May |
| Harford Mall - Lifestyle Expansion | Bel Air, MD | 39,222 | September |
| The District at Cherryvale | Rockford, IL | 82,000 | October |
| Brookfield Square - Restaurant Addition | Brookfield, WI | 19,500 | October |
| Brookfield Square - Outparcel Development | Brookfield, WI | 57,500 | November |
| Southpark Mall - Regal Cinema | Richmond, VA | 85,392 | Fall |
| | | 417,190 | |

Our total investment in the new and expanded Properties opened in 2006 was \$151.8 million and the total investment in the Properties we had under construction at December 31, 2006 is projected to be \$507.4 million.

Acquisitions

We believe there is opportunity for growth through acquisitions of regional malls and other associated properties. We selectively acquire regional mall properties where we believe we can increase the value of the property through our development, leasing and management expertise. We did not acquire any properties during 2006.

Insurance

We carry a comprehensive blanket policy for general liability, property casualty (including fire, earthquake and flood) and rental loss covering all of the Properties, with specifications and insured limits customarily carried for similar properties. The property and liability insurance policies on our Properties currently include coverage for loss resulting from acts of terrorism, whether foreign or domestic. We believe the Properties are adequately insured in accordance with industry standards.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of petroleum, certain hazardous or toxic substances on, under or in such real estate. Such laws typically impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances. The costs of remediation or removal of such substances may be substantial. The presence of such substances, or the failure to promptly remove or

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remediate such substances, may adversely affect the owner's or operator's ability to lease or sell such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also

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be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, regardless of whether such facility is owned or operated by such person. Certain laws also impose requirements on conditions and activities that may affect the environment or the impact of the environment on human health. Failure to comply with such requirements could result in the imposition of monetary penalties (in addition to the costs to achieve compliance) and potential liabilities to third parties. Among other things, certain laws require abatement or removal of friable and certain non-friable asbestos-containing materials in the event of demolition or certain renovations or remodeling. Certain laws regarding asbestos-containing materials require building owners and lessees, among other things, to notify and train certain employees working in areas known or presumed to contain asbestos-containing materials. Certain laws also impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with asbestos-containing materials. In connection with the ownership and operation of properties, we may be potentially liable for all or a portion of such costs or claims.

All of our Properties (but not properties for which we hold an option to purchase but do not yet own) have been subject to Phase I environmental assessments or updates of existing Phase I environmental assessments. Such assessments generally consisted of a visual inspection of the Properties, review of federal and state environmental databases and certain information regarding historic uses of the property and adjacent areas and the preparation and issuance of written reports. Some of the Properties contain, or contained, underground storage tanks used for storing petroleum products or wastes typically associated with automobile service or other operations conducted at the Properties. Certain Properties contain, or contained, dry-cleaning establishments utilizing solvents. Where believed to be warranted, samplings of building materials or subsurface investigations were undertaken. At certain Properties, where warranted by the conditions, we have developed and implemented an operations and maintenance program that establishes operating procedures with respect to asbestos-containing materials. The costs associated with the development and implementation of such programs were not material. We have also obtained environmental insurance coverage at certain of our Properties.

We believe that our Properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. We have recorded in our financial statements a liability of \$2.4 million related to potential future asbestos abatement activities at our Properties which are not expected to have a material impact on our financial condition or results of operations. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of our present or former Properties. Therefore, we have not recorded any liability related to hazardous or toxic substances. Nevertheless, it is possible that the environmental assessments available to us do not reveal all potential environmental liabilities. It is also possible that subsequent investigations will identify material contamination, that adverse environmental conditions have arisen subsequent to the performance of the environmental assessments, or that there are material environmental liabilities of which management is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties has not been or will not be affected by tenants and occupants of the Properties, by the condition of properties in the vicinity of the Properties or by third parties unrelated to us, the Operating Partnership or the relevant Property's partnership.

Competition

The Properties compete with various shopping facilities in attracting retailers to lease space. In addition, retailers at our Properties face competition from discount shopping centers, outlet malls, wholesale clubs, direct mail, television shopping networks, the internet and other retail shopping developments. The extent of the retail competition varies from market to market. We work aggressively to attract customers through marketing promotions and campaigns.

Seasonality

Our business is somewhat seasonal in nature with tenant sales achieving the highest levels during the fourth quarter because of the holiday season, which results in higher percentage rent income in the fourth quarter. The Malls earn most of their temporary rents (rents from short-term tenants) during the holiday period. Thus, occupancy levels and revenue production are generally the highest in the fourth quarter of each year. Results of operations realized in any one quarter may not be indicative of the results likely to be experienced over the course of the entire year.

Financial Information About Segments

See Note 12 to the consolidated financial statements for information about our reportable segments.

Employees

CBL does not have any employees other than its statutory officers. Our Management Company currently has 790 full-time and 721 part-time employees. None of our employees are represented by a union.

Corporate Offices

Our principal executive offices are located at CBL Center, 2030 Hamilton Place Boulevard, Suite 500, Chattanooga, Tennessee, 37421 and our telephone number is (423) 855-0001.

Available Information

There is additional information about us on our web site at cblproperties.com. Electronic copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge by visiting the investor relations section of our web site. These reports are posted as soon as reasonably practical after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on the web site is not, and should not, be considered to be a part of this Form 10-K.

ITEM 1A. RISK FACTORS

RISKS RELATED TO REAL ESTATE INVESTMENTS

Real property investments are subject to various risks, many of which are beyond our control, that could cause declines in the operating revenues and/or the underlying value of one or more of our Properties.

A number of factors may decrease the income generated by a retail shopping center property, including:

National, regional and local economic climates, which may be negatively impacted by plant closings, industry slowdowns, adverse weather conditions, natural disasters, and other factors which tend to reduce consumer spending on retail goods.
Local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants.

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Increased operating costs, such as increases in real property taxes, utility rates and insurance premiums.

Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.

The willingness and ability of the shopping center's owner to provide capable management and maintenance services.

The convenience and quality of competing retail properties and other retailing options, such as the Internet.

In addition, other factors may adversely affect the value of our Properties without affecting their current revenues, including:

Adverse changes in governmental regulations, such as local zoning and land use laws, environmental regulations or local tax structures that could inhibit our ability to proceed with development, expansion, or renovation activities that otherwise would be beneficial to our Properties.

Potential environmental or other legal liabilities that reduce the amount of funds available to us for investment in our Properties.

Any inability to obtain sufficient financing (including both construction financing and permanent debt), or the inability to obtain such financing on commercially favorable terms, to fund new developments, acquisitions, and property expansions and renovations which otherwise would benefit our Properties.

An environment of rising interest rates, which could negatively impact both the value of commercial real estate such as retail shopping centers and the overall retail climate.

The loss of one or more significant tenants, due to bankruptcies or as a result of ongoing consolidations in the retail industry, could adversely affect both the operating revenues and value of our Properties.

Regional malls are typically anchored by well-known department stores and other significant tenants who generate shopping traffic at the mall. A decision by an anchor tenant or other significant tenant to cease operations at one or more Properties could have a material adverse effect on those Properties and, by extension, on our financial condition and results of operations. The closing of an anchor or other significant tenant may allow other anchors and/or tenants at an affected Property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the Property. In addition, key tenants at one or more Properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-tenant the affected space, could have a material adverse effect on both the operating revenues and underlying value of the Properties involved.

We may incur significant costs related to compliance with environmental laws, which could have a material adverse effect on our results of operations, cash flow and the funds available to us to pay dividends.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that real property. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous or toxic

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substances. The costs of investigation, removal or remediation of hazardous or toxic substances may be substantial. In addition, the presence of hazardous or toxic substances, or the failure to remedy environmental hazards properly, may adversely affect the owner's or operator's ability to sell or rent affected real property or to borrow money using affected real property as collateral.

Persons or entities that arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous or toxic substances at the disposal or treatment facility, whether or not that facility is owned or operated by the person or entity arranging for the disposal or treatment of hazardous or toxic substances. Laws exist that impose liability for release of asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to asbestos-containing materials. In connection with our ownership, operation, management, development and redevelopment of our Properties, or any other Properties we acquire in the future, we may be potentially liable under these laws and may incur costs in responding to these liabilities, which could have an adverse effect on our results of operations, cash flow and the funds available to us to pay dividends.

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

We may elect not to proceed with certain development projects once they have been undertaken, resulting in charges that could have a material adverse effect on our results of operations for the period in which the charge is taken.

We intend to pursue development and expansion activities as opportunities arise. In connection with any development or expansion, we will incur various risks including the risk that development or expansion opportunities explored by us may be abandoned and the risk that construction costs of a project may exceed original estimates, possibly making the project not profitable. Other risks include the risk that we may not be able to refinance construction loans which are generally with full recourse to us, the risk that occupancy rates and rents at a completed project will not meet projections and will be insufficient to make the project profitable, and the risk that we will not be able to obtain anchor, mortgage lender and property partner approvals for certain expansion activities. In the event of an unsuccessful development project, our loss could exceed our investment in the project.

We have in the past elected not to proceed with certain development projects and anticipate that we will do so again from time to time in the future. If we elect not to proceed with a development opportunity, the development costs ordinarily will be charged against income for the then-current period. Any such charge could have a material adverse effect on our results of operations for the period in which the charge is taken.

Competition from other retail formats could adversely affect the revenues generated by our Properties, resulting in a reduction in funds available for distribution to our stockholders.

There are numerous shopping facilities that compete with our Properties in attracting retailers to lease space. In addition, retailers at our Properties face competition for customers from:

- Discount shopping centers
- Outlet malls
- Wholesale clubs
- Direct mail

Telemarketing

Television shopping networks

Shopping via the Internet

Each of these competitive factors could adversely affect the amount of rents that we are able to collect from our tenants, thereby reducing our revenues and the funds available for distribution to our stockholders.

Since our Properties are located principally in the Southeastern and Midwestern United States, our financial position, results of operations and funds available for distribution to shareholders are subject generally to economic conditions in these regions.

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 50.9% of our total revenues from all Properties for the year ended December 31, 2006 and currently include 42 malls, 19 associated centers, one community center and one office building. Our Properties located in the midwestern United States accounted for approximately 29.9% of our total revenues from all Properties for the year ended December 31, 2006 and currently include 22 malls, three associated centers and one community center. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. We will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

Certain of our Properties are subject to ownership interests held by third parties, whose interests may conflict with ours and thereby constrain us from taking actions concerning these properties which otherwise would be in the best interests of the Company and our stockholders.

We own partial interests in eleven malls, eight associated centers, two community centers and one office building. We manage all of these Properties except for Governor's Square, Governor's Plaza and Kentucky Oaks. A property manager affiliated with the managing general partner performs the property management and leasing services for these Properties and receives a fee for its services. The managing partner of each of these three Properties controls the cash flow distributions, although our approval is required for certain major decisions.

Where we serve as managing general partner of the partnerships that own our Properties, we may have certain fiduciary responsibilities to the other partners in those partnerships. In certain cases, the approval or consent of the other partners is required before we may sell, finance, expand or make other significant changes in the operations of such Properties. To the extent such approvals or consents are required, we may experience difficulty in, or may be prevented from, implementing our plans with respect to expansion, development, financing or other similar transactions with respect to such Properties.

With respect to Governor's Square, Governor's Plaza and Kentucky Oaks we do not have day-to-day operational control or control over certain major decisions, including leasing and the timing and amount of distributions, which could result in decisions by the managing general partner that do not fully reflect our interests. This includes decisions relating to the requirements that we must satisfy in order to maintain our status as a REIT for tax purposes. However, decisions relating to sales, expansion and disposition of all or substantially all of the assets and financings are subject to approval by the Operating Partnership.

Certain agreements with prior owners of Properties that we have acquired may inhibit our ability to enter into future sale or refinancing transactions affecting such Properties, which otherwise would be in the best interests of the Company and our stockholders.

Certain Properties that we originally acquired from third parties had unrealized gain attributable to the difference between the fair market value of such Properties and the third parties' adjusted tax basis in the Properties immediately prior to their contribution of such Properties to the Operating Partnership pursuant to our acquisition. For this reason, a taxable sale by us of any of such Properties, or a significant reduction in the debt encumbering such Properties, could result in adverse tax consequences to the third parties who contributed these Properties in exchange for interests in the Operating Partnership. Under the terms of these transactions, we have generally agreed that we either will not sell or refinance such an acquired Property for a number of years in any transaction that would trigger adverse tax consequences for the parties from whom we acquired such Property, or else we will reimburse such parties for all or a portion of the additional taxes they are required to pay as a result of the transaction. Accordingly, these agreements may cause us not to engage in future sale or refinancing transactions affecting such Properties which otherwise would be in the best interests of the Company and our stockholders, or may increase the costs to us of engaging in such transactions.

Our financial position, results of operations and funds available for distribution to shareholders could be adversely affected by any economic downturn affecting the operating results at our Properties in the Nashville, TN, Pittsburgh, PA, Kansas City, KS, Madison, WI and Chattanooga, TN metropolitan areas, which are our five largest markets.

Our Properties located in the Nashville, TN, Pittsburgh, PA, and Kansas City (Overland Park), KS, Madison, WI and Chattanooga, TN metropolitan areas accounted for 5.7%, 4.9%, 4.2%, 3.2% and 3.0% of our revenues for the year ended December 31, 2006, respectively. No other market accounted for more than 3.0% of our revenues for the year ended December 31, 2006. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

Rising interest rates could both increase our borrowing costs, thereby adversely affecting our cash flow and the amounts available for distributions to our stockholders, and decrease our stock price, if investors seek higher yields through other investments.

An environment of rising interest rates could lead holders of our securities to seek higher yields through other investments, which could adversely affect the market price of our stock. One of the factors that may influence the price of our stock in public markets is the annual distribution rate we pay as compared with the yields on alternative investments. Numerous other factors, such as governmental regulatory action and tax laws, could have a significant impact on the future market price of our stock. In addition, increases in market interest rates could result in increased borrowing costs for us, which may adversely affect our cash flow and the amounts available for distributions to our stockholders.

Recent changes in the U.S. federal income tax treatment of corporate dividends may make our stock less attractive to investors, thereby lowering our stock price.

The maximum U.S. federal income tax rate for dividends received by individual taxpayers has been reduced generally from 38.6% to 15.0% (currently effective from January 1, 2003 through 2010). However, dividends payable by REITs are generally not eligible for such treatment. Although this legislation did not have a directly adverse effect on the taxation of REITs or dividends paid by REITs, the more favorable treatment for non-REIT dividends could cause individual investors to consider investments in non-REIT corporations as more attractive relative to an investment in a REIT, which could have an adverse impact on the market price of our stock.

Certain of our credit facilities, the loss of which could have a material, adverse impact on our financial condition and results of operations, are conditioned upon the Operating Partnership continuing to be managed by certain members of its current senior management and by such members of senior management continuing to own a significant direct or indirect equity interest in the Operating Partnership.

Certain of the Operating Partnership's lines of credit are conditioned upon the Operating Partnership continuing to be managed by certain members of its current senior management and by such members of senior management continuing to own a significant direct or indirect equity interest in the Operating Partnership (including any shares of our common stock owned by such members of senior management). If the failure of one or more of these conditions resulted in the loss of these credit facilities and we were unable to obtain suitable replacement financing, such loss could have a material, adverse impact on our financial position and results of operations.

Our insurance coverage may change in the future, and may not include coverage for acts of terrorism.

The general liability and property casualty insurance policies on our Properties currently include coverage for loss resulting from acts of terrorism, whether foreign or domestic. The cost of general liability and property casualty insurance policies that include coverage for acts of terrorism has risen significantly post-September 11, 2001. The cost of coverage for acts of terrorism is currently mitigated by the Terrorism Risk Insurance Act (TRIA). If TRIA is not extended beyond its current expiration date of December 31, 2007, we may incur higher insurance costs and greater difficulty in obtaining insurance that covers terrorist-related damages. Our tenants may also experience similar difficulties.

RISKS RELATED TO FEDERAL INCOME TAX LAWS

If we fail to qualify as a REIT in any taxable year, our funds available for distribution to stockholders will be reduced.

We intend to continue to operate so as to qualify as a REIT under the Internal Revenue Code. Although we believe that we are organized and operate in such a manner, no assurance can be given that we currently qualify and in the future will continue to qualify as a REIT. Such qualification involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify. In addition, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to qualification or its corresponding federal income tax consequences. Any such change could have a retroactive effect.

If in any taxable year we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to federal income tax on our taxable income at regular corporate rates. Unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, the funds available for distribution to our stockholders would be reduced for each of the years involved. This would likely have a significant adverse effect on the value of our securities and our ability to raise additional capital. In addition, we would no longer be required to make distributions to our stockholders. We currently intend to operate in a manner designed to qualify as a REIT. However, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors, with the consent of a majority of our stockholders, to revoke the REIT election.

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Any issuance or transfer of our capital stock to any person in excess of the applicable limits on ownership necessary to maintain our status as a REIT would be deemed void ab initio, and those shares would automatically be transferred to a non-affiliated charitable trust.

To maintain our status as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. Our certificate of incorporation generally prohibits ownership of more than 6% of the outstanding shares of our capital stock by any single stockholder determined by vote, value or number of shares (other than Charles Lebovitz, our Chief Executive Officer, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). The affirmative vote of $6\frac{1}{3}\%$ of our outstanding voting stock is required to amend this provision.

Our board of directors may, subject to certain conditions, waive the applicable ownership limit upon receipt of a ruling from the IRS or an opinion of counsel to the effect that such ownership will not jeopardize our status as a REIT. Absent any such waiver, however, any issuance or transfer of our capital stock to any person in excess of the applicable ownership limit or any issuance or transfer of shares of such stock which would cause us to be beneficially owned by fewer than 100 persons, will be null and void and the intended transferee will acquire no rights to the stock. Instead, such issuance or transfer with respect to that number of shares that would be owned by the transferee in excess of the ownership limit provision would be deemed void *ab initio* and those shares would automatically be transferred to a trust for the exclusive benefit of a charitable beneficiary to be designated by us, with a trustee designated by us, but who would not be affiliated with us or with the prohibited owner. Any acquisition of our capital stock and continued holding or ownership of our capital stock constitutes, under our certificate of incorporation, a continuous representation of compliance with the applicable ownership limit.

In order to maintain our status as a REIT and avoid the imposition of certain additional taxes under the Internal Revenue Code, we must satisfy minimum requirements for distributions to shareholders, which may limit the amount of cash we might otherwise have been able to retain for use in growing our business.

To maintain our status as a REIT under the Internal Revenue Code, we generally will be required each year to distribute to our stockholders at least 90% of our taxable income after certain adjustments. However, to the extent that we do not distribute all of our net capital gain or distribute at least 90% but less than 100% of our REIT taxable income, as adjusted, we will be subject to tax on the undistributed amount at ordinary and capital gains corporate tax rates, as the case may be. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us during each calendar year are less than the sum of 85% of our ordinary income for such calendar year, 95% of our capital gain net income for the calendar year and any amount of such income that was not distributed in prior years. In the case of property acquisitions, including our initial formation, where individual Properties are contributed to our Operating Partnership for Operating Partnership units, we have assumed the tax basis and depreciation schedules of the entities contributing Properties. The relatively low tax basis of such contributed Properties may have the effect of increasing the cash amounts we are required to distribute as dividends, thereby potentially limiting the amount of cash we might otherwise have been able to retain for use in growing our business. This low tax basis may also have the effect of reducing or eliminating the portion of distributions made by us that are treated as a non-taxable return of capital.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

The ownership limit described above, as well as certain provisions in our amended and restated certificate of incorporation and bylaws, our stockholder rights plan, and certain provisions of Delaware law may hinder any attempt to acquire us.

There are certain provisions of Delaware law, our amended and restated certificate of incorporation, our bylaws, and other agreements to which we are a party that may have the effect of delaying, deferring or preventing a third party from making an acquisition proposal for us. These provisions may also inhibit a change in control that some, or a majority, of our stockholders might believe to be in their best interest or that could give our stockholders the opportunity to realize a premium over the then-prevailing market prices for their shares. These provisions and agreements are summarized as follows:

The Ownership Limit As described above, to maintain our status as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. Our certificate of incorporation generally prohibits ownership of more than 6% of the outstanding shares of our capital stock by any single stockholder determined by value (other than Charles Lebovitz, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). In addition to preserving our status as a REIT, the ownership limit may have the effect of precluding an acquisition of control of us without the approval of our board of directors.

Classified Board of Directors: Removal for Cause Our certificate of incorporation provides for a board of directors divided into three classes, with one class elected each year to serve for a three-year term. As a result, at least two annual meetings of stockholders may be required for the stockholders to change a majority of our board of directors. In addition, our stockholders can only remove directors for cause and only by a vote of 75% of the outstanding voting stock. Collectively, these provisions make it more difficult to change the composition of our board of directors and may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts.

Advance Notice Requirements for Stockholder Proposals Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures generally require advance written notice of any such proposals, containing prescribed information, to be given to our Secretary at our principal executive offices not less than 60 days nor more than 90 days prior to the meeting.

Vote Required to Amend Bylaws A vote of $\frac{66}{3}\%$ of the outstanding voting stock is necessary to amend our bylaws.

Stockholder Rights Plan We have a stockholder rights plan, which may delay, deter or prevent a change in control unless the acquirer negotiates with our board of directors and the board of directors approves the transaction. The rights plan generally would be triggered if an entity, group or person acquires (or announces a plan to acquire) 15% or more of our common stock. If such transaction is not approved by our board of directors, the effect of the stockholder rights plan would be to allow our stockholders to purchase shares of our common stock, or the common stock or other merger consideration paid by the acquiring entity, at an effective 50% discount.

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Delaware Anti-Takeover Statute We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an interested stockholder (defined generally as a person owning 15% or more of a company's outstanding voting stock) from engaging in a business combination (as defined in Section 203) with us for three years following the date that person becomes an interested stockholder unless:

- (a) before that person became an interested holder, our board of directors approved the transaction in which the interested holder became an interested stockholder or approved the business combination;
- (b) upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns 85% of our voting stock outstanding at the time the transaction commenced (excluding stock held by directors who are also officers and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or
- (c) following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock not owned by the interested stockholder.

Under Section 203, these restrictions also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving us and a person who was not an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of our directors, if that extraordinary transaction is approved or not opposed by a majority of the directors who were directors before any person became an interested stockholder in the previous three years or who were recommended for election or elected to succeed such directors by a majority of directors then in office.

Certain ownership interests held by members of our senior management may tend to create conflicts of interest between such individuals and the interests of the Company and our Operating Partnership.

Retained Property Interests Members of our senior management own interests in certain real estate Properties that were retained by them at the time of our initial public offering. These consist primarily of outparcels at certain of our properties, which are being offered for sale through our management company. As a result, these members of our senior management have interests that could conflict with the interests of the Company, our shareholders and the Operating Partnership with respect to any transaction involving these Properties.

Tax Consequences of the Sale or Refinancing of Certain Properties Since certain of our Properties had unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such Properties immediately prior to their contribution to the Operating Partnership, a taxable sale of any such Properties, or a significant reduction in the debt encumbering such Properties, could cause adverse tax consequences to the members of our senior management who owned interests in our predecessor entities. As a result, members of our senior management might not favor a sale of a property or a significant reduction in debt even though such a sale or reduction could be beneficial to us and the Operating Partnership. Our bylaws provide that any decision relating to the potential sale of any property that would result in a disproportionately higher taxable income for members of our senior management than for us and our stockholders, or that would result in a significant reduction in such property's debt,

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must be made by a majority of the independent directors of the board of directors. The Operating Partnership is required, in the case of such a sale, to distribute to its partners, at a minimum, all of the net cash proceeds from such sale up to an amount reasonably believed necessary to enable members of our senior management to pay any income tax liability arising from such sale.

Interests in Other Entities; Policies of the Board of Directors Certain entities owned in whole or in part by members of our senior management, including the construction company that built or renovated most of our Properties, may continue to perform services for, or transact business with, us and the Operating Partnership. Furthermore, certain property tenants are affiliated with members of our senior management. Accordingly, although our bylaws provide that any contract or transaction between us or the Operating Partnership and one or more of our directors or officers, or between us or the Operating Partnership and any other entity in which one or more of our directors or officers are directors or officers or have a financial interest, must be approved by our disinterested directors or stockholders after the material facts of the relationship or interest of the contract or transaction are disclosed or are known to them, these affiliations could nevertheless create conflicts between the interests of these members of senior management and the interests of the Company, our shareholders and the Operating Partnership in relation to any transactions between us and any of these entities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Refer to Item 7: Management's Discussion and Analysis for additional information pertaining to the Properties' performance.

Malls

We own a controlling interest in 72 Malls (including large open-air centers) and non-controlling interests in seven Malls. We also own a controlling interest in one Mall and six Mall expansions that are currently under construction. The Malls are primarily located in middle markets and generally have strong competitive positions because they are the only, or dominant, regional mall in their respective trade areas.

The Malls are generally anchored by two or more department stores and a wide variety of mall stores. Anchor tenants own or lease their stores and non-anchor stores (20,000 square feet or less) lease their locations. Additional freestanding stores and restaurants that either own or lease their stores are typically located along the perimeter of the Malls' parking areas.

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include Coastal Grand-Myrtle Beach in Myrtle Beach, SC, which opened in March 2004; Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven Towne Center in Southaven, MS, which opened in October 2005; and Gulf Coast Town Center (Phase I) in Ft. Myers, FL, which opened in November 2005.

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We own the land underlying each Mall in fee simple interest, except for Walnut Square, Westgate Mall, St. Clair Square, Bonita Lakes Mall, Meridian Mall, Stroud Mall, Wausau Center, Chapel Hill Mall, Eastgate Mall, Eastland Mall and Mall of Acadiana. We lease all or a portion of the land at each of these Malls subject to long-term ground leases.

The following table sets forth certain information for each of the Malls as of December 31, 2006.

| Mall / Location | Year of | | Our | Total | Total Mall | | Mall | | Anchors & Jr. Anchors | |
|--|---------------------------------|--------------------------|-----|-------------|------------|--------|------------------------|------------|--|-----|
| | Year of Opening/ Acquisition | Most Recent Expansion | | | GLA(1) | GLA(2) | Store per Square | Percentage | | |
| | | | | | | | | Mall Store | | |
| | | | | | | | | Leased(4) | | GLA |
| Non-Stabilized Malls: | | | | | | | | | | |
| Coastal Grand-Myrtle Beach Myrtle Beach, SC | 2004 | N/A | 50 | % 1,114,447 | 379,504 | \$ 368 | 92 | % | Bed Bath & Beyond, Belk, Books A Million, Dick's Sporting Goods, Dillard's, Sears | |
| Gulf Coast Town Center Ft. Meyers, FL | 2005 | N/A | 50 | % 811,721 | 112,638 | 111 | 69 | % | Babies R Us, Bass Pro Outdoor World, Belk, Best Buy, JC Penney, Jo Ann Fabrics, Linens N Things, Staples, Target | |
| Imperial Valley Mall El Centro, CA(13) | 2005 | N/A | 60 | % 762,031 | 269,674 | 327 | 91 | % | Dillard's, JC Penney, Macy's, Sears | |
| Southaven Towne Center Southaven, MS | 2005 | N/A | 100 | % 766,071 | 112,133 | 285 | 100 | % | Circuit City, Cost Plus, Dillard's, Gordman's, Linens N Things, JC Penney | |
| | Total Non | Stabilized Malls | | 3,454,270 | 873,949 | \$ 339 | 92 | % | | |
| Stabilized Malls: | | | | | | | | | | |
| Arbor Place Atlanta (Douglasville), GA | 1999 | N/A | 100 | % 1,176,472 | 378,386 | \$ 395 | 99 | % | Bed Bath & Beyond, Borders, Dillard's, JC Penney, Macy's, Old Navy, Parisian, Sears | |
| Asheville Mall Asheville, NC | 1972/2000 | 2000 | 100 | % 966,948 | 306,493 | 337 | 97 | % | Belk, Dillard's, Dillard's West, JC Penney, Old Navy, Sears | |
| Bonita Lakes Mall(5) Meridian, MS | 1997 | N/A | 100 | % 634,041 | 185,900 | 280 | 98 | % | Belk, Dillard's, Goody's, JC Penney, Sears | |
| Brookfield Square Brookfield, WI | 1967/2001 | 1997 | 100 | % 1,132,984 | 345,007 | 430 | 98 | % | Barnes & Noble, Boston Store, JC Penney, Old Navy, Sears | |
| Burnsville Center Burnsville, MN | 1977/1998 | N/A | 100 | % 1,082,689 | 427,889 | 368 | 98 | % | Dick's Sporting Goods, JC Penney, Macy's, Old Navy, Sears, Steve & Barry's | |
| Cary Towne Center Cary, NC | 1979/2001 | 1993 | 100 | % 1,007,642 | 299,463 | 305 | 96 | % | Belk, Dillard's, JC Penney, Macy's, Sears | |
| Chapel Hill Mall(7) Akron, OH | 1966/2004 | 1995 | 100 | % 860,306 | 300,982 | 297 | 89 | % | JC Penney, Macy's, Old Navy, Sears, Steve & Barry's | |
| Cherryvale Mall Rockford, IL | 1973/2001 | 2004 | 100 | % 795,509 | 311,949 | 349 | 99 | % | Bergner's, JC Penney, Macy's, Sears | |
| Citadel Mall Charleston, SC | 1981/2001 | 2000 | 100 | % 1,117,353 | 321,583 | 259 | 91 | % | Belk, Dillard's, Old Navy, Parisian, Sears, Target | |
| College Square Morristown, TN | 1988 | 1999 | 100 | % 493,734 | 153,265 | 261 | 99 | % | Belk, Goody's, JC Penney, Kohl's, Sears | |
| Columbia Place Columbia, SC | 1977/2001 | N/A | 100 | % 1,094,908 | 329,296 | 251 | 96 | % | Dillard's, JC Penney(21), Macy's, Old Navy, Sears | |

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| | | | | | | | | | |
|---------------------------------------|-----------|------|-----|-------------|---------|-----|-----|---|--|
| CoolSprings Galleria Nashville, TN | 1991 | 1994 | 100 | % 1,117,624 | 362,988 | 438 | 99 | % | Dillard s, JC Penney, Macy s, Parisian, Sears |
| Cross Creek Mall Fayetteville, NC | 1975/2003 | 2000 | 100 | % 1,049,708 | 257,176 | 509 | 95 | % | Belk, JC Penney, Macy s, Sears |
| East Towne Mall Madison, WI | 1971/2001 | 2004 | 100 | % 833,558 | 336,080 | 333 | 98 | % | Barnes & Noble, Boston Store, Dick s Sporting Goods, Gordman s, JC Penney, Sears, Steve & Barry s |
| Eastgate Mall(8) Cincinnati, OH | 1980/2003 | 1995 | 100 | % 1,113,042 | 276,323 | 311 | 87 | % | Dillard s, JC Penney, Kohl s, Sears, Steve & Barry s |
| Eastland Mall Bloomington, IL | 1967/2005 | N/A | 100 | % 764,753 | 225,098 | 314 | 97 | % | Bergner s, JC Penney, Kohl s, Macy s, Old Navy, Sears |
| Fashion Square Saginaw, MI | 1972/2001 | 1993 | 100 | % 796,556 | 317,359 | 289 | 97 | % | JC Penney, Macy s, Sears, Steve & Barry s |
| Fayette Mall Lexington, KY | 1971/2001 | 1993 | 100 | % 1,214,288 | 365,890 | 492 | 100 | % | Dick s, Dillard s, JC Penney, Macy s, Sears |

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| Mall / Location | Year of | | | | Mall | | Percentage | | Anchors & Jr. Anchors |
|--------------------------------------|---------------------------------|--------------------------|------------------|-----------------|-----------------|-----------------------|------------|---|---|
| | Year of Opening/ Acquisition | Most Recent Expansion | Our Ownership | Total GLA(1) | Total Mall | Store Sales | Mall Store | | |
| | | | | | Store GLA(2) | per Square Foot(3) | GLA | | |
| Foothills Mall Maryville, TN | 1983/1996 | 2004 | 95 | % 482,473 | 155,777 | 260 | 94 | % | Goody s, JC Penney, Belk for Women, Belk for Men Kids & Home, Sears, TJ Maxx |
| Frontier Mall Cheyenne, WY | 1981 | 1997 | 100 | % 529,043 | 215,292 | 260 | 94 | % | Dillard s I, Dillard s II, Sports Authority, JC Penney, Sears |
| Georgia Square Athens, GA | 1981 | N/A | 100 | % 674,738 | 253,184 | 278 | 100 | % | Belk, JC Penney, Macy s, Sears |
| Governor s Square Clarksville, TN | 1986 | 1999 | 48 | % 742,517 | 310,892 | 325 | 90 | % | Belk, Dillard s, Goody s, JC Penney, Sears |
| Greenbrier Mall Chesapeake, VA | 1981/2004 | 2004 | 100 | % 888,453 | 304,468 | 363 | 96 | % | Dillard s, JC Penney, Macy s, Sears |
| Hamilton Place Chattanooga, TN | 1987 | 1998 | 90 | % 1,157,528 | 373,880 | 384 | 99 | % | Dillard s, JC Penney, Parisian, Belk for Men Kids & Home, Belk for Women, Sears |
| Hanes Mall Winston-Salem, NC | 1975/2001 | 1990 | 100 | % 1,604,839 | 543,651 | 353 | 96 | % | Belk, Dillard s, JC Penney, Macy s, Old Navy, Sears |
| Harford Mall Bel Air, MD | 1973/2003 | 1999 | 100 | % 476,262 | 174,326 | 373 | 99 | % | Macy s, Old Navy, Sears |
| Hickory Hollow Mall Nashville, TN | 1978/1998 | 1991 | 100 | % 1,107,042 | 428,105 | 239 | 92 | % | Dillard s, Linens N Things, Macy s, Sears, Steve & Barry s |
| Hickory Point Mall Decatur, IL | 1977/2005 | N/A | 100 | % 822,755 | 241,938 | 204 | 76 | % | Bergner s, JC Penney, Kohl s, Old Navy, Sears, Von Maur |
| Honey Creek Mall Terre Haute, IN | 1968/2004 | 1981 | 100 | % 678,763 | 212,640 | 325 | 97 | % | Elder Beerman, JC Penney, Macy s, Sears |
| Janesville Mall Janesville, WI | 1973/1998 | 1998 | 100 | % 616,786 | 163,456 | 331 | 98 | % | Boston Store, JC Penney, Kohl s, Sears |
| Jefferson Mall Louisville, KY | 1978/2001 | 1999 | 100 | % 987,528 | 272,315 | 326 | 96 | % | Dillard s, JC Penney, Macy s, Sears |
| Kentucky Oaks Mall Paducah, KY | 1982/2001 | 1995 | 50 | % 1,125,723 | 354,671 | 272 | 94 | % | Best Buy, Dillard s, Elder Beerman, JC Penney, K s Merchandise Mart, Sears |
| The Lakes Muskegon, MI | 2001 | N/A | 90 | % 593,256 | 262,002 | 265 | 90 | % | Bed Bath & Beyond, Dick s Sporting Goods, JC Penney, Sears, Younkers |
| Lakeshore Mall Sebring, FL | 1992 | 1999 | 100 | % 500,740 | 147,911 | 297 | 86 | % | Beall s(9), Belk, JC Penney, Kmart, Sears |
| Laurel Park Place Livonia, MI | 1989/2005 | 1994 | 70 | % 501,774 | 202,964 | 404 | 92 | % | Parisian, Von Maur |
| Layton Hills Mall Layton, UT | 1980/2005 | 1998 | 100 | % 628,164 | 191,882 | 388 | 100 | % | JCPenney, Macy s, Mervyn s, Sports Authority |
| Madison Square Huntsville, AL | 1984 | 1985 | 100 | % 931,232 | 298,397 | 284 | 92 | % | Belk, Dillard s, JC Penney, Parisian, Sears, Steve & Barry s |
| Mall del Norte Laredo, TX | 1977/2004 | 1993 | 100 | % 1,207,687 | 377,891 | 460 | 95 | % | Beall Bros.(9), Circuit City, Dillard s, JC Penney, Joe Brand, Macy s, Macy s Home Store, Mervyn s, Sears, Ward s(10) |

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| | | | | | | | | | |
|------------------------------------|-----------|------|-----|-------------|---------|-----|----|---|--|
| Mall of Acadiana Lafayette, LA | 1979/2005 | 2004 | 100 | % 1,001,176 | 306,769 | 440 | 98 | % | Dillard s, JCPenney, Macy s, Sears |
| Meridian Mall(11) Lansing, MI | 1969/1998 | 2001 | 100 | % 979,618 | 420,110 | 276 | 95 | % | Bed Bath & Beyond, Dick s Sporting Goods, JC Penney, Macy s, Mervyn s(6), Old Navy, Schuler Books, Steve & Barry s, Younkers |
| Midland Mall Midland, MI | 1991/2001 | N/A | 100 | % 514,156 | 196,882 | 287 | 93 | % | Barnes & Noble, Elder Beerman, JC Penney, Sears, Steve & Barry s, Target |
| Monroeville Mall Pittsburgh, PA | 1969/2004 | 2003 | 100 | % 1,143,718 | 420,172 | 321 | 98 | % | Boscov s, JC Penney, Macy s |
| Northpark Mall Joplin, MO | 1972/2004 | 1996 | 100 | % 971,793 | 370,198 | 301 | 85 | % | JC Penney, Macy s, Macy s Home Store, Old Navy, Sears, Shopko(12), Ward s(12) |
| Northwoods Mall Charleston, SC | 1972/2001 | 1995 | 100 | % 1,022,037 | 291,360 | 338 | 99 | % | Belk, Books A Million, Dillard s, JC Penney, Sears |
| Oak Hollow Mall High Point, NC | 1995 | N/A | 75 | % 1,261,537 | 251,185 | 195 | 87 | % | Belk, Dillard s, JC Penney, Sears, Steve & Barry s |
| Oak Park Mall Overland Park, KS | 1974/2005 | 1998 | 100 | % 1,551,709 | 526,996 | 470 | 99 | % | Dillard s North, Dillard s South, JC Penney, Macy s, Nordstrom |
| Old Hickory Mall Jackson, TN | 1967/2001 | 1994 | 100 | % 547,197 | 167,102 | 331 | 91 | % | Belk, JC Penney, Macy s, Sears |

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| Mall / Location | Year of | | | | Mall | | Percentage | | Anchors & Jr. Anchors |
|--|------------------|-----------|-----------|-------------|------------|-------------|------------|---|--|
| | Most | | Our | Total | Total Mall | Store Sales | Mall Store | | |
| | Year of Opening/ | Recent | | | Store | per Square | GLA | | |
| | Acquisition | Expansion | Ownership | GLA(1) | GLA(2) | Foot(3) | Leased(4) | | |
| Panama City Mall Panama City, FL | 1976/2002 | 1984 | 100 | % 603,868 | 221,561 | 309 | 99 | % | Dillard s, JC Penney, Linens N Things, Sears |
| Park Plaza Little Rock, AR | 1988/2004 | N/A | 100 | % 566,664 | 287,840 | 487 | 91 | % | Dillard s I, Dillard s II |
| Parkdale Mall Beaumont, TX | 1972/2001 | 1986 | 100 | % 1,406,233 | 396,782 | 326 | 90 | % | Beall Bros.(9), Books A Million, Dillard s I, Dillard s II(13), JC Penney, Linens N Things, Macy s, Old Navy, Sears, Steve & Barry s |
| Parkway Place Mall Huntsville, AL | 1957/1998 | 2002 | 45 | % 627,165 | 272,354 | 301 | 91 | % | Dillard s, Parisian |
| Pemberton Square Vicksburg, MS | 1985 | 1999 | 100 | % 351,920 | 133,685 | 154 | 51 | % | Belk, Dillard s, Hudson s/LA, JC Penney |
| Plaza del Sol Del Rio, TX | 1979 | 1996 | 51 | % 266,446 | 98,887 | 181 | 96 | % | Beall Bros.(9), Bel Furniture/LA, JC Penney, Ross |
| Post Oak Mall College Station, TX | 1982 | 1985 | 100 | % 777,718 | 290,192 | 315 | 94 | % | Beall Bros.(9), Dillard s, Dillard s South, JC Penney, Macy s, Sears, Steve & Barry s |
| Randolph Mall Asheboro, NC | 1982/2001 | 1989 | 100 | % 379,060 | 143,867 | 209 | 97 | % | Belk, Books A Million, Dillard s, JC Penney, Sears |
| Regency Mall Racine, WI | 1981/2001 | 1999 | 100 | % 919,668 | 297,140 | 285 | 92 | % | Boston Store, JC Penney, Linens N Things, Sears, Steve & Barry s, Target |
| Richland Mall Waco, TX | 1980/2002 | 1996 | 100 | % 708,063 | 228,585 | 290 | 90 | % | Beall Bros.(9), Dillard s I, Dillard s II, JC Penney, Sears |
| River Ridge Mall Lynchburg, VA | 1980/2003 | 2000 | 100 | % 784,746 | 203,176 | 331 | 95 | % | Belk, JC Penney, Macy s, Sears, Value City |
| Rivergate Mall Nashville, TN | 1971/1998 | 1998 | 100 | % 1,129,191 | 347,362 | 327 | 97 | % | Dillard s, JC Penney, Macy s, Linens N Things, Sears |
| Southpark Mall Colonial Heights, VA | 1989/2003 | N/A | 100 | % 628,655 | 225,331 | 312 | 100 | % | Dillard s, JC Penney, Macy s, Sears |
| St. Clair Square(14) Fairview Heights, IL | 1974/1996 | 1993 | 100 | % 1,051,645 | 290,371 | 416 | 100 | % | Dillard s, JC Penney, Macy s, Sears |
| Stroud Mall(15) Stroudsburg, PA | 1977/1998 | 2005 | 100 | % 421,478 | 147,555 | 330 | 98 | % | JC Penney, Sears, The Bon Ton |
| Sunrise Mall Brownsville, TX | 1979/2003 | 2000 | 100 | % 750,896 | 327,439 | 379 | 91 | % | Beall Bros.(9), Dillard s, JC Penney, Linens N Things, Sears |
| Towne Mall Franklin, OH | 1977/2001 | N/A | 100 | % 454,964 | 153,907 | 217 | 73 | % | Dillard s, Elder Beerman, Sears |
| Triangle Town Center Raleigh, NC | 2002/2005 | N/A | 50 | % 1,272,881 | 330,829 | 359 | 93 | % | Barnes & Noble, Belk, Dillard s, Macy s, Sak s Fifth Avenue, Sears |
| Turtle Creek Mall Hattiesburg, MS | 1994 | 1995 | 100 | % 846,953 | 223,859 | 422 | 93 | % | Belk I, Belk II, Dillard s, Goody s, JC Penney, Sears |
| Twin Peaks Mall Longmont, CO | 1985 | 1997 | 100 | % 556,253 | 242,868 | 232 | 93 | % | Dillard s I, Dillard s II, JC Penney(20), Sears, Steve & Barry s |

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| | | | | | | | | | |
|--------------------------------------|-----------|------|-----|-------------|------------|-----|-----|----|--|
| Valley View Mall Roanoke, VA | 1985/2003 | 1999 | 100 | % 1,250,188 | 290,539 | 347 | 95 | % | Belk, JC Penney, Macy's, Old Navy, Sears |
| Volusia Mall Daytona Beach, FL | 1974/2004 | 1982 | 100 | % 1,060,754 | 242,211 | 440 | 97 | % | Dillard's East, Dillard's West, Dillard's South, JC Penney, Macy's, Sears |
| Walnut Square(16) Dalton, GA | 1980 | 1992 | 100 | % 449,010 | 169,815 | 263 | 98 | % | Belk, Belk Home & Kids, Goody's, JC Penney, Sears |
| Wausau Center(17) Wausau, WI | 1983/2001 | 1999 | 100 | % 427,867 | 154,667 | 271 | 97 | % | JC Penney, Sears, Youngkers |
| West Towne Mall Madison, WI | 1970/2001 | 2004 | 100 | % 915,478 | 271,573 | 443 | 96 | % | Boston Store, Dick's Sporting Goods, JC Penney, Sears, Steve & Barry's |
| WestGate Mall(18) Spartanburg, SC | 1975/1995 | 1996 | 100 | % 1,102,645 | 340,517 | 285 | 99 | % | Bed Bath & Beyond, Belk I, Belk II(19), Dick's Sporting Goods, Dillard's, JC Penney, Sears |
| Westmoreland Mall Greensburg, PA | 1977/2002 | 1994 | 100 | % 1,013,286 | 390,576 | 327 | 98 | % | JC Penney, Macy's, Macy's Home Store, Old Navy, Sears, Steve & Barry's, The Bon-Ton |
| York Galleria York, PA | 1989/1999 | N/A | 100 | % 770,636 | 233,419 | 332 | 100 | % | Boscov's, JC Penney, Sears, The Bon-Ton |
| Total Stabilized Malls | | | | 63,996,690 | 20,894,450 | \$ | 341 | 95 | % |
| Grand total | | | | 67,450,960 | 21,768,399 | \$ | 341 | 94 | % |

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- (1) Includes total square footage of the Anchors (whether owned or leased by the Anchor) and Mall Stores. Does not include future expansion areas.
- (2) Excludes Anchors.
- (3) Totals represent weighted averages.
- (4) Includes tenants paying rent for executed leases as of December 31, 2006.
- (5) Bonita Lakes Mall - We are the lessee under a ground leases for 82 acres, which extends through June 30, 2035, including four five-year renewal options. The annual base rent at December 31, 2006 is \$31,967 increasing by an average of 6% per year.
- (6) Meridian Mall - Mervyn's is vacant.
- (7) Chapel Hill Mall - Ground rent is \$10,000 per year.
- (8) Eastgate Mall - Ground rent is \$24,000 per year.
- (9) Lakeshore Mall, Mall del Norte, Parkdale Mall, Plaza del Sol, Post Oak Mall, Richland Mall, and Sunrise Mall - Beall Bros. operating in Texas is unrelated to Beall's operating in Florida.
- (10) Mall del Norte - Ward's is vacant and is currently being redeveloped. Circuit City opened in part of this space on February 3, 2006. A cinema will open in the remaining space in 2007.
- (11) Meridian Mall - We are the lessee under several ground leases in effect through March 2067, with extension options. Fixed rent is \$18,700 per year plus 3% to 4% of all rents.
- (12) Northpark Mall - Shopko and Ward's are vacant. Ward's is being redeveloped into a TJ Maxx and Steve & Barry's.
- (13) Parkdale Mall - Dillard's II is closed due to Hurricane Rita.
- (14) St. Clair Square - We are the lessee under a ground lease for 20 acres, which extends through January 31, 2073, including 14 five-year renewal options and one four-year renewal option. The rental amount is \$40,500 per year. In addition to base rent, the landlord receives .25% of Dillard's sales in excess of \$16,200,000.
- (15) Stroud Mall - We are the lessee under a ground lease, which extends through July, 2089. The current rental amount is \$50,000 per year, increasing by \$10,000 every ten years through 2059. An additional \$100,000 is paid every 10 years.
- (16) Walnut Square - We are the lessee under several ground leases, which extend through March 14, 2078, including six ten-year renewal options and collected. The Company has a right of first refusal to purchase the fee.
- (17) Wausau Center - Ground rent is \$76,000 per year plus 10% of net taxable cash flow.
- (18) WestGate Mall - We are the lessee under several ground leases for approximately 53% of the underlying land. The leases extend through October 31, 2084, including six ten-year renewal options. The rental amount is \$130,000 per year. In addition to base rent, the landlord receives 20% of the percentage rents collected. The Company has a right of first refusal to purchase the fee.
- (19) WestGate Mall - Belk II is vacant.
- (20) Twin Peaks Mall - The JC Penney store closed 12/8/06. The building will be demolished and redeveloped.
- (21) Columbia Place - JC Penney is vacant. The building is being redeveloped. Steve & Barry's and Burlington Coat Factory will open in 2007.

Anchors

Anchors are an important factor in a Mall's successful performance. The public's identification with a mall property typically focuses on the anchor tenants. Mall anchors are generally a department store whose merchandise appeals to a broad range of shoppers and plays a significant role in generating customer traffic and creating a desirable location for the mall store tenants.

Anchors may own their stores and the land underneath, as well as the adjacent parking areas, or may enter into long-term leases with respect to their stores. Rental rates for anchor tenants are significantly lower than the rents charged to mall store tenants. Anchors account for 9.3% of the total revenues from our Properties. Each anchor that owns its store has entered into an operating and reciprocal easement agreement with us covering items such as operating covenants, reciprocal easements, property operations, initial construction and future expansion.

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During 2006, we added the following anchors and junior anchor boxes (i.e., non-traditional anchors) to the following Malls:

| Name | Property | Location |
|-----------------------|------------------------|-------------------|
| Boscov's | Monroeville Mall | Monroeville, PA |
| Circuit City | Mall del Norte | Laredo, TX |
| Dick's Sporting Goods | Burnsville Center | Burnsville, MN |
| Kohl's | College Square | Morristown, TN |
| Old Navy | Asheville Mall | Asheville, NC |
| Steve & Barry's | Hickory Hollow Mall | Antioch, TN |
| Dick's Sporting Goods | Hanes Mall | Winston-Salem, NC |
| Dillard's | Southaven Town Center | Southaven, MS |
| Books-A-Million | Southaven Town Center | Southaven, MS |
| Gordman's | Southaven Town Center | Southaven, MS |
| Belk | Gulf Coast Town Center | Ft. Myers, FL |
| Bass Pro | Gulf Coast Town Center | Ft. Myers, FL |
| JC Penney | Gulf Coast Town Center | Ft. Myers, FL |
| Best Buy | Gulf Coast Town Center | Ft. Myers, FL |

As of December 31, 2006, the Malls had a total of 407 anchors and junior anchors including six vacant anchor locations. The mall anchors and junior anchors and the amount of GLA leased or owned by each as of December 31, 2006 is as follows:

| Anchor | Number of Stores | Leased GLA | Owned GLA | Total GLA |
|------------------------|-----------------------------|-----------------------|----------------------|----------------------|
| JCPenney | 69 | 4,184,817 | 3,469,650 | 7,654,467 |
| Sears | 68 | 1,694,281 | 7,087,423 | 8,781,704 |
| Dillard's | 55 | 481,759 | 7,109,878 | 7,591,637 |
| Saks | 1 | | 83,066 | 83,066 |
| Macy's | 41 | 1,964,914 | 3,948,572 | 5,913,486 |
| Belk | | | | |
| Belk | 30 | 624,928 | 2,944,958 | 3,569,886 |
| Parisian | 7 | 281,431 | 647,633 | 929,064 |
| Subtotal | 37 | 906,359 | 3,592,591 | 4,498,950 |
| Bon-Ton | | | | |
| Bon-Ton | 3 | 87,024 | 231,715 | 318,739 |
| Boston Store | 5 | 96,000 | 599,280 | 695,280 |
| Bergner's | 3 | | 385,401 | 385,401 |
| Younkers | 3 | 194,161 | 106,131 | 300,292 |
| Elder-Beerman | 4 | 194,613 | 117,888 | 312,501 |
| Subtotal | 18 | 571,798 | 1,440,415 | 2,012,213 |
| Babies R Us | 1 | 30,700 | | 30,700 |
| Barnes & Noble | 4 | 118,360 | | 118,360 |
| Bass Pro Outdoor World | 1 | 130,000 | | 130,000 |
| Beall Bros. | 6 | 222,440 | | 222,440 |
| Beall's (Fla) | 1 | 45,844 | | 45,844 |
| Bed, Bath & Beyond | 5 | 154,835 | | 154,835 |
| Bel Furniture | 1 | 29,998 | | 29,998 |
| Best Buy | 2 | 64,326 | | 64,326 |

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| Anchor | Number of Stores | Leased GLA | Owned GLA | Total GLA |
|-----------------------------|---------------------|---------------|--------------|--------------|
| Books A Million | 4 | 69,765 | | 69,765 |
| Borders | 1 | 25,814 | | 25,814 |
| Boscov's | 2 | | 384,538 | 384,538 |
| Circuit City | 2 | 55,652 | | 55,652 |
| Cost Plus | 1 | 18,243 | | 18,243 |
| Dick's Sporting Goods | 8 | 469,551 | | 469,551 |
| Gart Sports | 1 | 24,750 | | 24,750 |
| Goody's | 6 | 204,249 | | 204,249 |
| Gordman's | 2 | 107,303 | | 107,303 |
| Hudson's | 1 | 20,269 | | 20,269 |
| Jo-Ann Fabrics | 1 | 35,330 | | 35,330 |
| Joe Brand | 1 | 29,413 | | 29,413 |
| Kmart | 1 | 86,479 | | 86,479 |
| Kohl's | 5 | 357,091 | 68,000 | 425,091 |
| Linens N Things | 8 | 222,034 | | 222,034 |
| Mervyn's | 2 | 167,500 | | 167,500 |
| Nordstrom | 1 | | 200,000 | 200,000 |
| Old Navy | 16 | 328,295 | | 328,295 |
| Ross | 1 | 30,307 | | 30,307 |
| Schuler Books | 1 | 24,116 | | 24,116 |
| Shopko/K's Merchandise Mart | 1 | | 85,229 | 85,229 |
| Sports Authority | 1 | 16,537 | | 16,537 |
| Staples | 1 | 20,388 | | 20,388 |
| Steve & Barry's | 15 | 658,129 | | 658,129 |
| Target | 4 | | 490,476 | 490,476 |
| TJ Maxx | 1 | 30,000 | | 30,000 |
| Value City | 1 | 97,411 | | 97,411 |
| Von Maur | 2 | | 233,280 | 233,280 |
| Vacant Anchors: | | | | |
| Shopko (1) | 1 | | 90,000 | 90,000 |
| Ward's (2) | 2 | 190,461 | | 190,461 |
| Mervyn's | 1 | 74,889 | | 74,889 |
| JC Penney (3) | 1 | 120,532 | | 120,532 |
| Belk | 1 | | 150,429 | 150,429 |
| | 407 | 14,084,939 | 28,433,547 | 42,518,486 |

- (1) Although store is vacant, rental payments continue to be made.
- (2) The former Wards building at Mall del Norte is being redeveloped into a Circuit City and a Cinemark Theater.
- (3) The former JC Penney building at Columbia Place is being redeveloped into a Steve & Barry's and a Burlington Coat Factory.

Mall Stores

The Malls have approximately 7,177 mall stores. National and regional retail chains (excluding local franchises) lease approximately 81.7% of the occupied mall store GLA. Although mall stores occupy only 28.2% of the total mall GLA, the Malls received 86.7% of their revenues from mall stores for the year ended December 31, 2006.

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Mall Lease Expirations

The following table summarizes the scheduled lease expirations for mall stores as of December 31, 2006:

| Year Ending | Number of Leases | Annualized Base Rent (1) | GLA of Expiring Leases | Average Annualized Base Rent Per Square Foot | Expiring Leases | | |
|-------------|------------------|--------------------------|------------------------|--|--------------------------------|------------------------|---------|
| | | | | | Total Annualized Base Rent (2) | as a % of Total Leases | GLA (3) |
| 2007 | 1,547 | \$ 76,790,000 | 3,785,000 | \$ 20.29 | 16.3 | % 20.5 | % |
| 2008 | 957 | 57,275,000 | 2,490,000 | 23.00 | 12.2 | % 13.5 | % |
| 2009 | 770 | 52,466,000 | 1,980,000 | 26.50 | 11.2 | % 10.7 | % |
| 2010 | 751 | 53,641,000 | 1,928,000 | 27.82 | 11.4 | % 10.5 | % |
| 2011 | 695 | 52,257,000 | 1,839,000 | 28.42 | 11.1 | % 10.0 | % |
| 2012 | 467 | 36,398,000 | 1,274,000 | 28.57 | 7.0 | % 6.9 | % |
| 2013 | 412 | 34,603,000 | 1,231,000 | 28.11 | 7.4 | % 6.7 | % |
| 2014 | 329 | 25,722,000 | 852,000 | 30.19 | 5.5 | % 4.6 | % |
| 2015 | 394 | 34,882,000 | 1,255,000 | 27.79 | 7.4 | % 6.8 | % |
| 2016 | 397 | 30,065,000 | 1,137,000 | 27.32 | 6.6 | % 6.2 | % |

- (1) Total annualized contractual base rent in effect at December 31, 2006 for all leases that had been executed as of December 31, 2006, including rent for space that is leased but not occupied.
- (2) Total annualized contractual base rent of expiring leases as a percentage of the total annualized base rent of all leases that were executed as of December 31, 2006.
- (3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2006.

Mall Tenant Occupancy Costs

Occupancy cost is a tenant's total cost of occupying its space, divided by sales. The following table summarizes tenant occupancy costs as a percentage of total mall store sales for the last three years:

| | Year Ended December 31, (1) | | |
|-----------------------------------|-----------------------------|------------|------------|
| | 2006 | 2005 | 2004 |
| Mall store sales (in millions)(1) | \$ 5,083.6 | \$ 4,367.0 | \$ 3,453.0 |
| Minimum rents | 8.1 | % 8.2 | % 8.3 |
| Percentage rents | 0.7 | % 0.4 | % 0.3 |
| Tenant reimbursements (2) | 3.3 | % 3.2 | % 3.4 |
| Mall tenant occupancy costs | 12.1 | % 11.8 | % 12.0 |

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- (1) Consistent with industry practice, sales are based on reports by retailers (excluding theaters) leasing mall store GLA of 10,000 square feet or less. Represents 100% of sales for the Malls. In certain cases, the Company and the Operating Partnership own less than a 100% interest in the Malls.
- (2) Represents reimbursements for real estate taxes, insurance, common area maintenance charges and certain capital expenditures.

Associated Centers

We own a controlling interest in 27 Associated Centers and a non-controlling interest in four Associated Centers. We also own a controlling interest in one Associated Center that was under construction at December 31, 2006.

Associated Centers are retail properties that are adjacent to a regional mall complex and include one or more anchors, or big box retailers, along with smaller tenants. Anchor tenants typically include

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tenants such as TJ Maxx, Target, Toys R Us and Goody's. Associated Centers are managed by the staff at the Mall it is adjacent to and usually benefit from the customers drawn to the Mall.

We own the land underlying the Associated Centers in fee simple interest, except for Bonita Lakes Crossing, which is subject to a long-term ground lease.

The following table sets forth certain information for each of the Associated Centers as of December 31, 2006:

| Associated Center / Location | Year of | Company's | Total | Total | Percentage | | Anchors |
|---|-------------------------|-----------|-----------|----------|------------|--------|--|
| | Opening/ Most Recent | | | | Ownership | GLA(1) | |
| | Expansion | | | Leasable | Occupied | | |
| Annex at Monroeville Pittsburgh, PA | 1969 | 100 | % 185,309 | 185,309 | 99 | % | Burlington Coat Factory, Dick's Sporting Goods, Guitar Center, Office Max |
| Bonita Lakes Crossing(4) Meridian, MS | 1997/1999 | 100 | % 138,150 | 138,150 | 95 | % | Books A Million, Office Max, Old Navy, Shoe Carnival, TJ Maxx, Toys 'R' Us |
| Chapel Hill Suburban Akron, OH | 1969 | 100 | % 117,088 | 117,088 | 100 | % | H.H. Gregg, Value City |
| Coastal Grand Crossing Myrtle Beach, SC | 2005 | 50 | % 14,907 | 14,907 | 97 | % | Lifeway Christian Store, Pet Smart |
| CoolSprings Crossing Nashville, TN | 1992 | 100 | % 366,466 | 184,905 | 100 | % | American Signature(5), H.H. Gregg(6), Lifeway Christian Store, Target(5), Toys "R" Us(5), Wild Oats(6) |
| Courtyard at Hickory Hollow Nashville, TN | 1979 | 100 | % 77,560 | 77,560 | 94 | % | Carmike Cinemas, Just for Feet(7) |
| The District at Monroeville Pittsburgh, PA | 2004 | 100 | % 74,667 | 74,667 | 89 | % | Barnes & Noble |
| Eastgate Crossing Cincinnati, OH | 1991 | 100 | % 195,112 | 171,628 | 92 | % | Borders, Circuit City, Kroger, Office Depot, Office Max(5) |
| Foothills Plaza Maryville, TN | 1983/1986 | 100 | % 71,174 | 71,174 | 100 | % | Carmike Cinemas, Dollar General, Foothill's Hardware, Fowler's Furniture, Hall's Salvage and Surplus |
| Frontier Square Cheyenne, WY | 1985 | 100 | % 186,552 | 16,527 | 81 | % | PetCo(8), Ross(8), Target(5), TJ Maxx(8) |
| Georgia Square Plaza Athens, GA | 1984 | 100 | % 15,393 | 15,393 | 100 | % | Georgia Theatre Company |
| Governor's Square Plaza Clarksville, TN | 1985 | (9) 50 | % 189,930 | 57,351 | 100 | % | Best Buy, Lifeway Christian Store, Premier Medical Group, Target(5) |
| Gunbarrel Pointe Chattanooga, TN | 2000 | 100 | % 281,525 | 155,525 | 99 | % | David's Bridal, Goody's, Kohl's, Target(5) |
| Hamilton Corner Chattanooga, TN | 1990/2005 | 90 | % 69,664 | 69,664 | 100 | % | PetCo |

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| | | | | | | | |
|---|-----------|-----|-----------|---------|-----|---|--|
| Hamilton Crossing Chattanooga, TN | 1987/2005 | 92 | % 200,822 | 107,709 | 98 | % | Home Goods(10), Guitar Center, Lifeway Christian Store, Michaels(10), TJ Maxx, Toys "R" Us(5) |
| Harford Annex Bel Air, MD | 1973/2003 | 100 | % 107,656 | 107,656 | 100 | % | Best Buy, Dollar Tree, Gardiner's Furniture, PetsMart |
| The Landing at Arbor Place Atlanta(Douglasville), GA | 1999 | 100 | % 216,274 | 138,587 | 86 | % | Circuit City(5), Lifeway Christian Store, Michael's, Shoe Carnival, Toys "R" Us(5) |
| Layton Hills Convenience Center Layton, UT | 1980 | 100 | % 94,192 | 94,192 | 96 | % | Big Lots, Dollar Tree, Downeast Outfitters |
| Madison Plaza Huntsville, AL | 1984 | 100 | % 153,085 | 98,690 | 87 | % | Haverty's, Design World, H.H. Gregg(11), TJ Maxx |

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| Associated Center / Location | Year of | | Company's Ownership | Total GLA(1) | Total GLA(2) | Percentage GLA | | Anchors |
|--|------------------|--------|------------------------|-----------------|-----------------|-------------------|----------|--|
| | Opening/ Most | Recent | | | | Leasable | Occupied | |
| Parkdale Crossing Beaumont, TX | 2002 | | 100 | % 96,102 | 96,102 | 98 | % | Barnes & Noble, Lifeway Christian Store, Office Depot, PetCo |
| Pemberton Plaza Vicksburg, MS | 1986 | | 10 | % 77,894 | 26,948 | 86 | % | Blockbuster, Kroger(5) |
| The Plaza at Fayette Mall Lexington, KY | 2006 | | 100 | % 156,261 | 156,261 | 91 | % | Gordman's, Guitar Center, Old Navy |
| The Shoppes at Hamilton Place Chattanooga, TN | 2003 | | 92 | % 125,301 | 125,301 | 99 | % | Bed Bath & Beyond, Marshall's, Ross |
| The Shoppes at Panama City Panama City, FL | 2004 | | 100 | % 66,503 | 66,503 | 100 | % | Best Buy |
| Sunrise Commons Brownsville, TX | 2001 | | 100 | % 202,012 | 100,567 | 100 | % | K Mart(5), Marshall's, Old Navy, Ross |
| The Terrace Chattanooga, TN | 1997 | | 92 | % 156,297 | 117,025 | 100 | % | Barnes & Noble, Circuit City(5), Linens 'N Things, Old Navy, Party City, Staples |
| Triangle Town Place Raleigh, NC | 2004 | | 50 | % 149,471 | 149,471 | 100 | % | Bed, Bath & Beyond, Dick's Sporting Goods, DSW Shoes, Party City |
| Village at Rivergate Nashville, TN | 1981/1998 | | 100 | % 166,366 | 66,366 | 75 | % | Circuit City, Target(5) |
| West Towne Crossing Madison, WI | 1980 | | 100 | % 436,878 | 169,195 | 100 | % | Barnes & Noble, Best Buy, Kohls(5), Cub Foods(5), Gander Mountain(5), Office Max(5), Shopko(5) |
| WestGate Crossing Spartanburg, SC | 1985/1999 | | 100 | % 157,870 | 157,870 | 98 | % | Goody's, Old Navy, Toys "R" Us |
| Westmoreland Crossing Greensburg, PA | 2002 | | 100 | % 277,483 | 227,483 | 68 | % | Carmike Cinema, Dick's Sporting Goods, Michaels(12), Shop N' Save(13), T.J. Maxx |
| Total Associated Centers | | | | 4,823,964 | 3,355,774 | 94 | % | |

- (1) Includes total square footage of the Anchors (whether owned or leased by the Anchor) and shops. Does not include future expansion areas.
- (2) Includes leasable Anchors.
- (3) Includes tenants with executed leases as of December 31, 2006, and includes leased anchors.
- (4) Bonita Lakes Crossing - The land is ground leased through 2015 with options to extend through June 2035. The annual rent at December 31, 2006 was \$22,214, increasing by an average of 6% each year.
- (5) Owned by the tenant.
- (6) CoolSprings Crossing - Space is owned by Service Merchandise and subleased to H.H. Gregg and Wild Oats.
- (7) Courtyard at Hickory Hollow - Just for Feet is vacant.
- (8) Frontier Square - Space is owned by Albertson's and subleased to PetCo, Ross, and TJ Maxx.
- (9) Governor's Square Plaza - Originally opened in 1985, and was acquired by the Company in June 1997.
- (10) Hamilton Crossing - Former Service Merchandise space is owned by JLPK-Chattanooga LLC and subleased to Home Goods and Michaels.
- (11) Madison Plaza - Former Service Merchandise space is owned by JLPK-Chattanooga LLC and subleased to H.H. Gregg.
- (12) Westmoreland Crossing - Former Service Merchandise space is owned by JLPK-Greensburg, LLC and subleased to Michaels.
- (13) Westmoreland Crossing - Shop N' Save closed 2/4/2006.

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Associated Centers Lease Expirations

The following table summarizes the scheduled lease expirations for Associated Center tenants in occupancy as of December 31, 2006.

| Year Ending | Number of | Annualized | GLA of | Average | Expiring Leases | | |
|--------------|-----------------|--------------|-----------------|---------------|-----------------|-----------------|---------------|
| | | Base Rent of | | Annualized | as % of Total | Expiring Leases | |
| December 31, | Leases Expiring | Expiring | Expiring Leases | Base Rent Per | Annualized | as a % of Total | Leased GLA(3) |
| 2007 | 46 | \$ 1,937,000 | 180,000 | \$ 10.76 | 5.6 | % 5.9 | % |
| 2008 | 31 | 1,785,000 | 169,000 | 10.56 | 5.2 | % 5.5 | % |
| 2009 | 32 | 2,452,000 | 201,000 | 12.20 | 7.1 | % 6.6 | % |
| 2010 | 30 | 3,374,000 | 401,000 | 8.41 | 9.7 | % 13.1 | % |
| 2011 | 27 | 4,194,000 | 370,000 | 11.34 | 12.1 | % 12.1 | % |
| 2012 | 17 | 3,435,000 | 301,000 | 11.41 | 9.9 | % 9.8 | % |
| 2013 | 12 | 1,576,000 | 124,000 | 12.71 | 4.5 | % 4.1 | % |
| 2014 | 16 | 2,574,000 | 246,000 | 10.46 | 7.4 | % 8.0 | % |
| 2015 | 20 | 2,742,000 | 177,000 | 15.49 | 7.9 | % 5.8 | % |
| 2016 | 19 | 2,860,000 | 180,000 | 10.88 | 8.3 | % 5.9 | % |

- (1) Total annualized contractual base rent in effect at December 31, 2006 for all leases that had been executed as of December 31, 2006, including rent for space that is leased but not occupied.
- (2) Total annualized contractual base rent of expiring leases as a percentage of the total annualized base rent of all leases that were executed as of December 31, 2006.
- (3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2006.

Community Centers

We own a controlling interest in four Community Centers and a non-controlling interest in one Community Center. We own a controlling interest in two community centers and a non-controlling interest in one Community Center that are currently under construction.

Community Centers typically have less development risk because of shorter development periods and lower costs. While Community Centers generally maintain higher occupancy levels and are more stable, they typically have slower rent growth because the anchor stores' rents are typically fixed and are for longer terms.

Community Centers are designed to attract local and regional area customers and are typically anchored by a combination of supermarkets, or value-priced stores that attract shoppers to each center's small shops. The tenants at our Community Centers typically offer necessities, value-oriented and convenience merchandise.

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We own the land underlying the Community Centers in fee simple interest, except for Massard Crossing, which is subject to a long-term ground lease for all of the land underlying the property.

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The following tables sets forth certain information for each of our Community Centers at December 31, 2006:

| Community Center / Location | Year of | Company's | Total | Total | Percentage | Anchors |
|--|-----------|-----------|-----------|----------|-------------|---|
| | Opening/ | | | | | |
| | Most | | | | | |
| | Recent | Company's | Total | Leasable | GLA | |
| Community Center / Location | Expansion | Ownership | GLA(1) | GLA(2) | Occupied(3) | |
| High Pointe Commons Harrisburg, PA | 2006 | 50 | % 235,993 | 9,800 | 100 | % JC Penney(5), Target(5) |
| Lakeview Point Stillwater, OK | 2006 | 100 | % 219,533 | 219,533 | 84 | % Belk, Linens 'N Things, Petco, Ross |
| Massard Crossing Ft. Smith, AR | 2001 | 10 | % 300,717 | 98,410 | 100 | % Goody's, TJ Maxx, Wal*Mart(5) |
| The Shops at Pineda Ridge Melbourne, FL | 2006 | 100 | % 29,906 | 9,231 | 100 | % Home Depot(5) |
| Willowbrook Plaza Houston, TX | 1999 | 10 | % 386,075 | 292,525 | 81 | % American Multi Cinema, Home Depot(4), Lane Home Furnishings, Linens 'N Things |
| Total Community Centers | | | 1,172,224 | 629,499 | 86 | % |

- (1) Includes total square footage of the Anchors (whether owned or leased by the Anchor) and shops. Does not include future expansion areas.
- (2) Includes leasable Anchors.
- (3) Includes tenants with executed leases as of December 31, 2006, and includes leased anchors.
- (4) Willowbrook - Home Depot is vacant. We purchased this space in January 2006. It will be redeveloped and has been leased to Finger Furniture.
- (5) Owned by tenant.

Community Centers Lease Expirations

The following table summarizes the scheduled lease expirations for tenants in occupancy at Community Centers as of December 31, 2006:

| Year Ending | Number of Leases Expiring | Annualized | | Average Annualized Base Rent Per Square Foot | Expiring Leases | | |
|-------------------|---------------------------|----------------------------------|------------------------|--|--|---|---|
| | | Base Rent of Expiring Leases (1) | GLA of Expiring Leases | | as % of Total Annualized Base Rent (2) | Expiring Leases as a % of Total Leased GLA(3) | |
| December 31, 2007 | 14 | \$ 899,000 | 86,000 | \$ 10.45 | 12.7 | % 16.2 | % |
| 2008 | 9 | 341,000 | 18,000 | 18.94 | 4.8 | % 3.4 | % |
| 2009 | 5 | 194,000 | 10,000 | 19.40 | 2.7 | % 1.9 | % |
| 2010 | 19 | 897,000 | 41,000 | 21.88 | 12.6 | % 7.7 | % |

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| | | | | | | | |
|------|---|---------|--------|-------|------|--------|---|
| 2011 | 5 | 831,000 | 42,000 | 19.79 | 11.7 | % 7.9 | % |
| 2012 | 3 | 88,000 | 6,000 | 14.67 | 1.2 | % 1.1 | % |
| 2013 | 1 | 468,000 | 29,000 | 16.14 | 6.6 | % 5.4 | % |
| 2014 | 3 | 217,000 | 51,000 | 4.25 | 3.1 | % 9.6 | % |
| 2015 | 9 | 423,000 | 29,000 | 14.59 | 6.0 | % 5.4 | % |
| 2016 | 9 | 634,000 | 64,000 | 9.91 | 8.9 | % 12.0 | % |

- (1) Total annualized contractual base rent in effect at December 31, 2006 for all leases that had been executed as of December 31, 2006, including rent for space that is leased but not occupied.
- (2) Total annualized contractual base rent of expiring leases as a percentage of the total annualized base rent of all leases that were executed as of December 31, 2006.
- (3) Total GLA of expiring leases as a percentage of the total GLA of all leases that were executed as of December 31, 2006.

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Mortgages

We own 13 mortgages that are collateralized by first mortgages or wrap-around mortgages on the underlying real estate and related improvements. The mortgages are more fully described on Schedule IV in Part IV of this report.

Office Building

We own a 92% interest in the 128,000 square foot office building where our corporate headquarters is located. As of December 31, 2006, we occupied 65% of the total square footage of the building. In December 2006, we commenced construction on a new 76,000 square foot office building that will be located adjacent to our current office building. Our employees will remain in our current building and some of the non-CBL tenants in our current building will relocate to the new building. The new building is expected to be completed early in 2008.

Mortgage Loans Outstanding At December 31, 2006 (in thousands)

| Property | Company s | | | Principal | Annual | Maturity | Balloon | Open to | | | |
|--------------------------------|-----------------|-------------|---------------------|-----------|----------|-------------|-----------------|-----------|------|---------|------------|
| | Ownership | Interest | Rate | Balance | | | | | Debt | Payment | Prepayment |
| | | | | as of | | | | | | | |
| Consolidated Debt | Interest | Rate | 12/31/06 (1) | | | Date | Maturity | | | | |
| Malls: | | | | | | | | | | | |
| Arbor Place | 100 | % 6.51 | % | \$ 74,848 | \$ 6,610 | Jul-12 | 63,397 | Open | | | |
| Asheville Mall | 100 | % 6.98 | % | 66,804 | 5,677 | Sep-11 | 61,229 | Open | | | |
| Bonita Lakes Mall | 100 | % 6.82 | % | 25,021 | 2,503 | Oct-09 | 22,539 | Open | | | |
| Brookfield Square | 100 | % 5.08 | % | 103,341 | 6,822 | Nov-15 | 85,601 | Nov-08 | | | |
| Burnsville Center | 100 | % 8.00 | % | 66,780 | 6,900 | Aug-10 | 60,341 | Open | | | |
| Cary Towne Center | 100 | % 6.85 | % | 84,898 | 7,077 | Mar-09 | 81,961 | Open | | | |
| Chapel Hill Mall | 100 | % 6.10 | % | 76,697 | 5,599 | Aug-16 | 64,609 | Aug-09 | | | |
| Cherryvale Mall | 100 | % 5.00 | % | 92,375 | 6,055 | Nov-15 | 76,647 | Nov-08 | | | |
| Citadel Mall | 100 | % 7.39 | % | 29,042 | 3,174 | May-07 | 28,700 | Open | | | |
| Columbia Place | 100 | % 5.45 | % | 31,729 | 2,493 | Oct-13 | 25,512 | Open | | | |
| CoolSprings Galleria | 100 | % 6.22 | % | 126,915 | 9,618 | Sep-10 | 112,700 | Open | | | |
| Cross Creek Mall | 100 | % 5.00 | % | 61,845 | 5,401 | Apr-12 | 56,520 | Open | | | |
| East Towne Mall | 100 | % 5.00 | % | 78,719 | 5,153 | Nov-15 | 65,231 | Nov-08 | | | |
| Eastgate Mall | 100 | % 4.55 | % (3) | 55,377 | 3,501 | Dec-09 | 52,321 | Dec-07 | | | |
| Eastland Mall | 100 | % 5.85 | % | 59,400 | 3,475 | Dec-15 | 59,400 | Dec-08 | | | |
| Fashion Square | 100 | % 6.51 | % | 57,307 | 5,061 | Jul-12 | 48,540 | Open | | | |
| Fayette Mall | 100 | % 7.00 | % | 91,673 | 7,824 | Jul-11 | 84,096 | Open | | | |
| Greenbrier Mall | 100 | % 5.91 | % | 84,653 | 6,055 | Aug-16 | 70,965 | Aug-09 | | | |
| Gulf Coast Town Center Phase I | 50 | % 6.38 | % (5) | 52,000 | 3,315 | Feb-07 | 52,000 | Open (16) | | | |
| Hamilton Place | 90 | % 5.86 | % | 116,518 | 8,292 | Aug-16 | 97,757 | Aug-09 | | | |
| Hanes Mall | 100 | % 7.31 | % | 102,911 | 10,726 | Jul-08 | 97,551 | Open | | | |
| Hickory Hollow Mall | 100 | % 6.77 | % | 84,262 | 7,723 | Aug-08 | 80,847 | Open (4) | | | |
| Hickory Point Mall | 100 | % 5.85 | % | 32,731 | 2,347 | Dec-15 | 27,690 | Dec-08 | | | |
| Honey Creek Mall | 100 | % 4.75 | % | 31,610 | 2,786 | Apr-09 | 30,122 | Open | | | |
| Janesville Mall | 100 | % 8.38 | % | 12,001 | 1,857 | Apr-16 | | Open | | | |
| Jefferson Mall | 100 | % 6.51 | % | 41,695 | 3,682 | Jul-12 | 35,316 | Open | | | |
| Laurel Park Place | 100 | % 8.50 | % | 49,620 | 4,985 | Dec-12 | 44,096 | Open | | | |
| Mall del Norte | 100 | % 5.04 | % | 113,400 | 5,715 | Dec-14 | 113,400 | Dec-07 | | | |
| Meridian Mall | 100 | % 4.52 | % | 88,743 | 6,416 | Oct-08 | 84,588 | Open | | | |
| Midland Mall | 100 | % 6.10 | % | 37,850 | 2,763 | Aug-16 | 31,885 | Aug-09 | | | |

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| | | | | | | | | |
|------------------|-----|--------|---|---------|--------|--------|---------|--------|
| Monroeville Mall | 100 | % 5.30 | % | 127,106 | 10,363 | Jan-13 | 105,507 | Open |
| Northpark Mall | 100 | % 5.50 | % | 39,861 | 3,171 | Mar-09 | 37,829 | Open |
| Northwoods Mall | 100 | % 6.51 | % | 59,695 | 5,271 | Jul-12 | 50,562 | Open |
| Oak Hollow Mall | 75 | % 7.31 | % | 41,459 | 4,709 | Feb-08 | 39,567 | Open |
| Oakpark Mall | 100 | % 5.85 | % | 275,700 | 16,128 | Dec-15 | 275,700 | Dec-08 |

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| Property | Company's Ownership Interest | | | Principal Balance | Annual | Maturity Date | Balloon | Open to |
|---|------------------------------|---------|--------|-------------------------|-------------------|---------------|---------|---------------------|
| | Ownership Interest | Rate | % | as of | Debt | | Payment | Prepayment |
| | | | | 12/31/06 ⁽¹⁾ | Service | | Due on | Date ⁽²⁾ |
| | | | | | | | | |
| Old Hickory Mall | 100 | % 6.51 | % | 33,062 | 2,920 | Jul-12 | 28,004 | Open |
| Panama City Mall | 100 | % 7.30 | % | 38,808 | 3,373 | Aug-12 | 36,089 | Open |
| Park Plaza Mall | 100 | % 4.90 | % | 40,340 | 3,943 | May-10 | 38,606 | Open |
| Parkdale Mall | 100 | % 5.01 | % | 52,961 | 4,003 | Sep-10 | 47,408 | Open |
| Randolph Mall | 100 | % 6.50 | % | 14,417 | 1,272 | Jul-12 | 12,209 | Open |
| Regency Mall | 100 | % 6.51 | % | 32,694 | 2,887 | Jul-12 | 27,693 | Open |
| Rivergate Mall | 100 | % 6.77 | % | 68,100 | 6,240 | Aug-08 | 65,479 | Open (4) |
| Southaven Towne Center | 100 | % 5.50 | % | 46,000 | 3,134 | Jan-17 | 37,969 | Jan-09 |
| Southpark Mall | 100 | % 5.10 | % | 35,889 | 3,308 | May-12 | 30,763 | Open |
| St. Clair Square | 100 | % 7.00 | % | 63,769 | 6,361 | Apr-09 | 58,975 | Open |
| Stroud Mall | 100 | % 8.42 | % | 30,931 | 2,977 | Dec-10 | 29,385 | Open |
| Valley View Mall | 100 | % 5.10 | % | 43,230 | 4,362 | Sep-10 | 40,495 | Open |
| Volusia Mall | 100 | % 4.75 | % | 53,041 | 4,259 | Mar-09 | 51,265 | Open |
| Wausau Center | 100 | % 6.70 | % | 12,543 | 1,238 | Dec-10 | 10,725 | Open |
| West Towne Mall | 100 | % 5.00 | % | 111,190 | 7,279 | Nov-15 | 92,139 | Nov-08 |
| WestGate Mall | 100 | % 6.50 | % | 51,791 | 4,570 | Jul-12 | 43,860 | Open |
| Westmoreland Mall | 100 | % 5.05 | % | 77,997 | 5,993 | Jan-13 | 63,175 | Open |
| York Galleria | 100 | % 8.34 | % | 49,442 | 4,727 | Dec-10 | 46,932 | Open |
| | | | | 3,430,791 | 272,093 | | | |
| Associated Centers: | | | | | | | | |
| Bonita Lakes Crossing | 100 | % 6.82 | % | 7,840 | 784 | Oct-09 | 7,062 | Open |
| Courtyard At Hickory Hollow | 100 | % 6.77 | % | 3,923 | 360 | Aug-08 | 3,764 | Open (4) |
| Eastgate Crossing | 100 | % 6.38 | % | 9,753 | 1,018 | Apr-07 | 9,674 | Open (8) |
| Hamilton Corner | 90 | % 10.13 | % | 1,745 | 471 | Aug-11 | | Open |
| Parkdale Crossing | 100 | % 5.01 | % | 8,362 | 632 | Sep-10 | 7,507 | Open |
| The Landing At Arbor Place | 100 | % 6.51 | % | 8,449 | 746 | Jul-12 | 7,157 | Open |
| The Plaza at Fayette | 100 | % 6.60 | % (5) | 31,516 | 2,080 | May-09 | 31,516 | Open |
| Village At Rivergate | 100 | % 6.77 | % | 3,217 | 295 | Aug-08 | 3,086 | Open (4) |
| Westgate Crossing | 100 | % 8.42 | % | 9,382 | 907 | Jul-10 | 8,954 | Open |
| | | | | 84,187 | 7,293 | | | |
| Community Centers: | | | | | | | | |
| Lakeview Pointe | 100 | % 6.57 | % (5) | 17,947 | 1,179 | Nov-08 | 17,947 | Open |
| Massard Crossing, Pemberton Plaza and Willowbrook Plaza | 10 | % 7.54 | % | 36,987 | 3,264 | Feb-12 | 34,230 | Open (9) |
| | | | | 54,934 | 4,443 | | | |
| Other: | | | | | | | | |
| CBL Center | 92 | % 6.25 | % | 14,153 | 1,108 | Aug-12 | 12,662 | Open |
| Secured Credit Facilities | 100 | % 6.15 | % (6) | 500,932 | 30,817 (7) | | 500,932 | Open |
| Unsecured Credit Facilities | 100 | % 6.25 | % (5) | 330,000 | 20,625 | Aug-08 | 330,000 | Open |
| | | | | 845,085 | 52,550 | | | |
| Construction Properties: | | | | | | | | |
| Alamance Crossing | 100 | % 6.57 | % (5) | 25,694 | 1,688 | Sep-09 | 25,694 | Open |
| Gulf Coast Town Center Phase II | 50 | % 6.63 | % (5) | 72,058 | 4,774 | Jan-09 | 72,058 | Open (16) |
| Milford Marketplace | 100 | % 6.55 | % (5) | | | Dec-08 | | Open (13) |
| The Shoppes at St. Clair | 100 | % 6.60 | % (5) | 16,677 | 1,101 | Jun-08 | 16,677 | Open |
| | | | | 114,429 | 7,563 | | | |
| Unamortized Premiums and Other: | | | | | | | | |
| | | | (10) | 35,109 | | | | |
| Total Consolidated Debt | | | | \$ 4,564,535 | \$ 343,942 | | | |
| Unconsolidated Debt: | | | | | | | | |
| Coastal Grand-Myrtle Beach | 50 | % 5.09 | % (3) | 95,456 | 7,078 | Oct-14 | 74,423 | Oct-07 |
| Governor's Square Mall | 48 | % 8.23 | % | 29,498 | 3,476 | Sep-16 | 14,144 | Open |

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| Property | Company s | | | Principal | Annual | Balloon | Open to | |
|--|-----------|----------|----------|-------------------------|-------------------|---------------|------------|-----------|
| | Ownership | Interest | Interest | Balance | Debt | Payment | Prepayment | |
| | | | | as of | Service | Due on | Date (2) | |
| | | | | 12/31/06 ⁽¹⁾ | | Maturity Date | | |
| High Pointe Commons | 50 | % 5.74 | % | 9,675 | 555 | May-17 | 9,675 | Open (14) |
| Imperial Valley Mall | 60 | % 4.99 | % (11) | 58,960 | 3,859 | Sep-15 | 49,019 | Sep-08 |
| Kentucky Oaks Mall | 50 | % 5.27 | % | 30,000 | 2,429 | Jan-17 | 19,223 | Jan-10 |
| Parkway Place | 45 | % 6.35 | % (5) | 53,200 | 3,378 | Jun-08 | 53,200 | Open (12) |
| Plaza del Sol | 51 | % 9.15 | % | 2,470 | 796 | Aug-10 | | Open |
| Triangle Town Center | 50 | % 5.74 | % | 200,000 | 14,367 | Dec-15 | 170,715 | Dec-08 |
| York Towne Center | 50 | % 6.83 | % (5) | 2,433 | 166 | Oct-11 | 1,216 | Open (14) |
| Total Unconsolidated Debt | | | | \$ 481,692 | \$ 36,104 | | | |
| Total Consolidated and Unconsolidated Debt | | | | \$ 5,064,227 | \$ 380,046 | | | |
| Company s Pro-Rata Share of Total Debt (15) | | | | \$ 4,753,942 | \$ 347,488 | | | |

- (1) The amount listed includes 100% of the loan amount even though the Company may have less than an 100% ownership interest in the property.
- (2) Prepayment premium is based on yield maintenance or defeasance.
- (3) The Company holds a B-Note in the amount of \$7.75 million on Eastgate Mall. The Company and its joint venture partner each hold a B-Note in the amount of \$9.0 million for Coastal Grand - Myrtle Beach.
- (4) The mortgages are cross-collateralized and cross-defaulted.
- (5) The interest rate is variable at various spreads over LIBOR priced at the rates in effect at December 31, 2006. The note is prepayable at any time without prepayment penalty.
- (6) Represents the weighted average interest rate on four secured credit facilities. The interest rates on two secured facilities are at a spread of 1.00% and 0.90% over LIBOR and the interest rates on the largest two are at 0.80% over LIBOR.
- (7) The four secured credit facilities mature at various dates from March 2007 to February 2009.
- (8) The loan has three five-year options based on a rate reset.
- (9) The mortgages are cross-collateralized and cross-defaulted and are prepayable by defeasance.
- (10) Represents premiums related to debt assumed to acquire real estate assets, which had stated interest rates that were above the estimated market rates for similar debt instruments at the respective acquisition date.
- (11) The Company owns 60% of Imperial Valley Mall but guarantees 100% of the debt.
- (12) The Company owns 45% of Parkway Place but guarantees 50% of the debt.
- (13) The Company placed a floating rate construction loan on the property prior to 12/31/2006 but had not drawn on the loan prior to that date.
- (14) The Company owns 50% of York Towne Center and High Pointe Commons but guarantees 100% of the debt.
- (15) Represents the Company s pro rata share of debt, including our share of unconsolidated affiliates debt and excluding minority investors share of consolidated debt on shopping center properties.
- (16) The Company owns 50% of Gulf Coast Town Center but guarantees 100% of the debt

The following is a reconciliation of consolidated debt to the Company s pro rata share of total debt.

| | |
|---|----------------|
| Total consolidated debt | \$ 4,564,535 |
| Minority investors share of consolidated debt | (56,612) |
| Company s share of unconsolidated debt | <u>246,019</u> |
| Company s pro rata share of total debt | \$ 4,753,942 |

ITEM 3. LEGAL PROCEEDINGS

We are currently involved in certain litigation that arises in the ordinary course of our business. We believe that the pending litigation will not materially affect our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

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PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****(a) Market Information**

The New York Stock Exchange is the principal United States market in which our common stock is traded.

The high and low sales prices for our common stock for each quarter of our two most recent fiscal years were as follows, as adjusted for the 2-for-1 stock split in June 2005:

| Quarter Ended | High | Low |
|----------------------|-------------|------------|
| <u>2006:</u> | | |
| March 31 | \$ 44.30 | \$ 39.32 |
| June 30 | \$ 42.49 | \$ 35.80 |
| September 30 | \$ 42.79 | \$ 37.32 |
| December 31 | \$ 44.10 | \$ 40.03 |
| <u>2005:</u> | | |
| March 31 | \$ 39.03 | \$ 33.32 |
| June 30 | \$ 44.05 | \$ 35.33 |
| September 30 | \$ 46.80 | \$ 39.30 |
| December 31 | \$ 42.15 | \$ 35.15 |

 Holders

There were approximately 544 shareholders of record for our common stock as of February 21, 2007.

 Dividends

The frequency and amounts of dividends declared and paid on the common stock for each quarter of our two most recent fiscal years were as follows, as adjusted for the 2-for-1 stock split in June 2005:

| Quarter Ended | 2006 | 2005 |
|----------------------|-------------|----------------|
| March 31 | \$ 0.4575 | \$ 0.40625 |
| June 30 | \$ 0.4575 | \$ 0.40625 |
| September 30 | \$ 0.4575 | \$ 0.40625 |
| December 31 | \$ 0.5050 | \$ 0.54750 (1) |

(1) Includes a one-time cash dividend of \$0.09 per share.

Future dividend distributions are subject to our actual results of operations, economic conditions and such other factors as our board of directors deems relevant. Our actual results of operations will be affected by a number of factors, including the revenues received from the Properties, our operating expenses, interest expense, the ability of the anchors and tenants at the Properties to meet their obligations and unanticipated capital expenditures.

Securities Authorized For Issuance Under Equity Compensation Plans

See Part III, Item 12.

Recent Sales Of Unregistered Securities: Use Of Proceeds From Registered Securities

Effective as of October 30, 2006, we issued 499,578 shares of common stock to one holder of Series J special common units in the Operating Partnership, which exercised its exchange rights, in exchange for 499,578 Series J special common units of limited partnership interest. We believe the issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof because this issuance did not involve a public offering or sale. No underwriters, brokers or finders were involved in this transaction.

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Report Of Offering Of Securities And Use Of Proceeds Therefrom

(b) None

Purchases Of Equity Securities By The Issuer And Affiliated Purchasers

(c) The following table presents information with respect to repurchases of common stock made by us during the three months ended December 31, 2006:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share (2) | Total Number of Shares Purchased as Part of a Publicly Announced Plan | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan |
|-----------------|--------------------------------------|----------------------------------|---|---|
| Oct. 1 31, 2006 | | \$ | | |
| Nov. 1 30, 2006 | 79 | 43.56 | | |
| Dec. 1 31, 2006 | | | | |
| Total | 79 | \$ 43.56 | | |

- (1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax withholding requirements related to the vesting of shares of restricted stock issued under the CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan, as amended.
- (2) Represents the market value of the common stock on the vesting date for the shares of restricted stock, which was used to determine the number of shares required to be surrendered to satisfy income tax withholding requirements.

ITEM 6. SELECTED FINANCIAL DATA.

(In thousands, except per share data)

| | Year Ended December 31, (1) | | | | |
|---|-----------------------------|------------|------------|------------|------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Total revenues | \$ 1,002,141 | \$ 907,460 | \$ 781,143 | \$ 690,127 | \$ 607,018 |
| Total expenses | 586,038 | 505,032 | 437,668 | 374,399 | 324,229 |
| Income from operations | 416,103 | 402,428 | 343,475 | 315,728 | 282,789 |
| Interest and other income | 8,804 | 6,831 | 3,355 | 2,485 | 1,853 |
| Interest expense | (257,067) | (208,183) | (177,219) | (153,321) | (142,908) |
| Loss on extinguishment of debt | (935) | (6,171) | | (167) | (3,872) |
| Gain on sales of real estate assets | 14,505 | 53,583 | 29,272 | 77,765 | 2,804 |
| Gain on sale of management contracts | | 21,619 | | | |
| Equity in earnings of unconsolidated affiliates | 5,295 | 8,495 | 10,308 | 4,941 | 8,215 |
| Income tax provision | (5,902) | | | | |
| Minority interest in earnings: | | | | | |
| Operating partnership | (70,323) | (112,061) | (85,186) | (106,532) | (64,251) |
| Shopping center properties | (4,136) | (4,879) | (5,365) | (2,758) | (3,280) |
| Income before discontinued operations | 106,344 | 161,662 | 118,640 | 138,141 | 81,350 |
| Discontinued operations | 11,157 | 813 | 2,471 | 5,998 | 3,556 |
| Net income | 117,501 | 162,475 | 121,111 | 144,139 | 84,906 |
| Preferred dividends | (30,568) | (30,568) | (18,309) | (19,633) | (10,919) |
| Net income available to common shareholders | \$ 86,933 | \$ 131,907 | \$ 102,802 | \$ 124,506 | \$ 73,987 |
| Basic earnings per common share: | | | | | |
| Income before discontinued operations, net of preferred dividends | \$ 1.19 | \$ 2.09 | \$ 1.63 | \$ 1.98 | \$ 1.23 |
| Net income available to common shareholders | \$ 1.36 | \$ 2.10 | \$ 1.67 | \$ 2.08 | \$ 1.29 |

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| | | | | | |
|--|------------------|------------|------------|---------|--------|
| Weighted average shares outstanding | 63,885 | 62,721 | 61,602 | 59,872 | 57,380 |
| Diluted earnings per common share: | | | | | |
| Income before discontinued operations, net of preferred dividends | \$ 1.16 | \$ 2.02 | \$ 1.57 | \$1.90 | \$1.19 |
| Net income available to common shareholders | \$ 1.33 | \$ 2.03 | \$ 1.61 | \$2.00 | \$1.25 |
| Weighted average shares and potential dilutive common shares outstanding | 65,269 | 64,880 | 64,004 | 62,386 | 59,336 |
| Dividends declared per common share | \$ 1.8775 | \$ 1.76625 | \$ 1.49375 | \$1.345 | \$1.16 |

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| | December 31, (1) | | | | |
|--|------------------|--------------|--------------|--------------|--------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| BALANCE SHEET DATA: | | | | | |
| Net investment in real estate assets | \$ 6,094,251 | \$ 5,944,428 | \$ 4,894,780 | \$ 3,912,220 | \$ 3,611,485 |
| Total assets | 6,518,810 | 6,352,322 | 5,204,500 | 4,264,310 | 3,795,114 |
| Total mortgage and other notes payable | 4,564,535 | 4,341,055 | 3,371,679 | 2,738,102 | 2,402,079 |
| Minority interests | 559,450 | 609,475 | 566,606 | 527,431 | 500,513 |
| Shareholders' equity | 1,084,856 | 1,081,522 | 1,054,151 | 837,300 | 741,190 |
| OTHER DATA: | | | | | |
| Cash flows provided by (used in): | | | | | |
| Operating activities | \$ 388,911 | \$ 396,098 | \$ 337,489 | \$ 274,349 | \$ 273,923 |
| Investing activities | (347,239) | (714,680) | (612,892) | (333,378) | (274,607) |
| Financing activities | (41,810) | 321,654 | 280,837 | 66,007 | 3,902 |
| Funds From Operations (FFO) (2) of the Operating Partnership | 390,089 | 389,958 | 310,405 | 271,589 | 235,474 |
| FFO allocable to Company shareholders | 215,814 | 213,596 | 169,725 | 146,552 | 126,127 |

- (1) Please refer to Notes 3 and 5 to the consolidated financial statements for a description of acquisitions and joint venture transactions that have impacted the comparability of the financial information presented.
- (2) Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for the definition of FFO, which does not represent cash flow from operations as defined by accounting principles generally accepted in the United States and is not necessarily indicative of the cash available to fund all cash requirements.

ITEM 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes that are included in this annual report. Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations have the same meanings as defined in the notes to the consolidated financial statements. In this discussion, the terms "we", "us", "our" and the "Company" refer to CBL & Associates Properties, Inc. and its subsidiaries.

Certain statements made in this section or elsewhere in this report may be deemed "forward looking statements" within the meaning of the federal securities laws. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. In addition to the risk factors discussed in Item 1A of our annual report on Form 10-K for the year ending December 31, 2006, such risks and uncertainties include, without limitation, general industry, economic and business conditions, interest rate fluctuations, costs of capital and capital requirements, availability of real estate properties, inability to consummate acquisition opportunities, competition from other companies and retail formats, changes in retail rental rates in our markets, shifts in customer demands, tenant bankruptcies or store closings, changes in vacancy rates at our Properties, changes in operating expenses, changes in applicable laws, rules and regulations, the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future business. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

Executive Overview

We are a self-managed, self-administered, fully integrated real estate investment trust (REIT) that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls and community centers. Our shopping centers are located in 27 states, but primarily in the southeastern and midwestern United States.

As of December 31, 2006, we owned controlling interests in 72 regional malls (including large open-air centers), 27 associated centers (each adjacent to a regional mall), four community centers, and our corporate office building. We consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a variable interest entity. As of December 31, 2006, we owned non-controlling interests in seven regional malls, four associated centers and one community center. Because major decisions such as the acquisition, sale or refinancing of principal partnership or joint venture assets must be approved by one or more of the other partners, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. At December 31, 2006, we had seven mall/lifestyle expansions, one open-air shopping center, one open-air shopping center expansion, one associated center and three community centers, one of which is owned in a joint venture, under construction.

The majority of our revenues are derived from leases with retail tenants and generally include minimum rents, percentage rents based on tenants sales volumes and reimbursements from tenants for expenditures related to property operating expenses, real estate taxes and maintenance and repairs, as well as certain capital expenditures. We also generate revenues from sales of peripheral land at the Properties and from sales of real estate assets when it is determined that we can realize a premium value for the assets. Proceeds from such sales are generally used to reduce borrowings on our credit facilities.

We expanded our portfolio in 2006 by opening five new developments and 8 property expansions totaling 1.5 million square feet. We have approximately 3.1 million square feet of new developments and expansions, which represent \$507.4 million of net investment, that are scheduled to open during 2007 and 2008.

Results of Operations

Comparison of the Year Ended December 31, 2006 to the Year Ended December 31, 2005

The following significant transactions impacted the consolidated results of operations for the year ended December 31, 2006, compared to the year ended December 31, 2005:

§ Since January 1, 2005, we have acquired or opened eight malls, two open-air centers, three associated centers and three community centers (collectively referred to as the 2006 New Properties). The 2006 New Properties are as follows:

| Property | Location | Date Acquired / Opened |
|-----------------------------|-----------------|-------------------------------|
| <u>Acquisitions:</u> | | |
| Laurel Park Place | Livonia, MI | June 2005 |
| The Mall of Acadiana | Lafayette, LA | July 2005 |

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| | | |
|--|-------------------|---------------|
| Layton Hills Mall | Layton, UT | November 2005 |
| Layton Hills Convenience Center | Layton, UT | November 2005 |
| Oak Park Mall | Overland Park, KS | November 2005 |
| Eastland Mall | Bloomington, IL | November 2005 |
| Hickory Point Mall | Forsyth, IL | November 2005 |
| Triangle Town Center (50/50 joint venture) | Raleigh, NC | November 2005 |
| Triangle Town Place (50/50 joint venture) | Raleigh, NC | November 2005 |

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New Developments:

| | | |
|---|----------------|----------------|
| Imperial Valley Mall (60/40 joint venture) | El Centro, CA | March 2005 |
| Southaven Towne Center | Southaven, MS | October 2005 |
| Gulf Coast Town Center Phase I & II anchors | Ft. Myers, FL | November 2005/ |
| (50/50 joint venture) | | November 2006 |
| The Plaza at Fayette Mall | Lexington, KY | October 2006 |
| High Pointe Commons (50/50 joint venture) | Harrisburg, PA | October 2006 |
| Lakeview Pointe | Stillwater, OK | October 2006 |
| The Shops at Pineda Ridge | Melbourne, FL | November 2006 |

§ In August 2005, Galileo America LLC (Galileo America) redeemed our 8.4% ownership interest by distributing two community centers to us and we sold our management and advisory contracts with Galileo America to New Plan Excel Realty Trust, Inc. (New Plan). See Note 5 to the consolidated financial statements for a more thorough discussion of these transactions.

Properties that were in operation for the entire period during 2006 and 2005 are referred to as the 2006 Comparable Properties in this section.

Revenues

The \$106.0 million increase in rental revenues and tenant reimbursements was primarily attributable to increases of \$91.2 million from the 2006 New Properties and \$14.8 million from the 2006 Comparable Properties. These increases included \$4.6 million and \$2.8 million of lease termination fees for the 2006 New Properties and the 2006 Comparable Properties, respectively.

The increase in revenues of the 2006 Comparable Properties was driven by our ability to maintain high occupancy levels while achieving a weighted average increase of 8.5% in rents from both new leases and lease renewals for comparable small shop spaces, as well as an increase in percentage rents. These increases were muted by the continued loss of rental income from the store closures and bankruptcies that occurred in the first quarter of 2006, which also negatively impacted our occupancy. Our cost recovery ratio improved to 104.0% for 2006 from 103.2% for 2005.

The decrease in management, development and leasing fees of \$15.5 million was primarily attributable to the prior year amount including management and leasing fees received from Galileo America prior to the redemption of our interest in Galileo America in August 2005, plus an \$8.0 million acquisition fee received from Galileo America that was related to Galileo America's acquisition of an approximately \$1.0 billion portfolio of shopping center properties from New Plan.

Other revenues increased by \$4.2 million due to growth of our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Property operating expenses, including real estate taxes and maintenance and repairs, increased \$27.5 million as a result of \$28.3 million of expenses attributable to the 2006 New Properties and a reduction of \$0.8 million related to the 2006 Comparable Properties.

The increase in depreciation and amortization expense of \$50.8 million resulted from increases of \$39.7 million from the 2006 New Properties and \$11.2 million from the 2006 Comparable Properties. The increase attributable to the 2006 Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance.

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General and administrative expenses increased \$0.3 million during 2006. Increases related to additional salaries and benefits for the personnel added to manage the 2006 New Properties combined with annual compensation increases for existing personnel were offset by a reduction in expenses related to individuals that were terminated in connection with the sale of our management and advisory contracts with Galileo America in August 2005. Additionally, our investment in developments in progress increased as compared to the same period a year ago, which has resulted in a larger amount of overhead expense being capitalized than compared to the same period a year ago. As a percentage of revenues, general and administrative expenses decreased to 3.9% in 2006 compared with 4.3% in 2005.

We recognized a loss on impairment of real estate assets of \$0.5 million during 2006, which resulted from a loss of \$0.3 million on the sale of two community centers in May 2006 and a loss of \$0.2 million on the sale of land in December 2006.

Other Income and Expenses

Interest expense increased \$48.9 million primarily due to the debt on the 2006 New Properties, the refinancings that were completed on the 2006 Comparable Properties and an increase in variable interest rates as compared to 2005.

Gain on sales of real estate assets of \$14.5 million in 2006 represents gains on the sales of thirteen land parcels. Gain on sales of real estate assets of \$53.6 million in 2005 includes \$44.2 million of gains related to the redemption of our ownership interest in Galileo America, \$1.0 million from the recognition of deferred gain on properties that had been previously sold to Galileo America and \$8.4 million of gains on the sales of eleven outparcels.

The gain on sales of management contracts of \$21.6 million in 2005 represents the gain on the sale of our management and advisory contracts with Galileo America to New Plan in August 2005.

Equity in earnings of unconsolidated affiliates decreased by \$3.2 million in 2006 because of reductions of \$1.3 million related to the disposition of our ownership interest in Galileo America in August 2005, a full year of loss of \$3.3 million incurred at Triangle Town Center, in which our ownership interest was not acquired until November 2005, and a decrease of \$1.1 million in gains on outparcel sales at Imperial Valley Mall as compared to the prior year. These reductions were partially offset by increases of \$2.5 million in our equity in the earnings of our other unconsolidated affiliates.

In 2006, we recorded an income tax provision of \$5.9 million as a result of taxable income that was generated by our management company, which is a taxable REIT subsidiary.

Discontinued operations in 2006 reflect the results of operations of five community centers that were sold during May 2006. Discontinued operations in 2005 are related to five community centers located throughout Michigan that were sold in March 2005 plus the operations of the community centers that were sold in 2006.

Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004

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The following significant transactions impacted the consolidated results of operations for the year ended December 31, 2005, compared to the year ended December 31, 2004:

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§ From January 1, 2004 through December 31, 2005, we acquired or opened 17 malls, two open-air centers and five associated centers (collectively referred to as the 2005 New Properties). The 2005 New Properties are as follows:

| Property | Location | Date Acquired / Opened |
|--|-------------------|-----------------------------------|
| <u>Acquisitions:</u> | | |
| Honey Creek Mall | Terre Haute, IN | March 2004 |
| Volusia Mall | Daytona Beach, FL | March 2004 |
| Greenbrier Mall | Chesapeake, VA | April 2004 |
| Chapel Hill Mall | Akron, OH | May 2004 |
| Chapel Hill Suburban | Akron, OH | May 2004 |
| Park Plaza Mall | Little Rock, AR | June 2004 |
| Monroeville Mall | Monroeville, PA | July 2004 |
| Monroeville Annex | Monroeville, PA | July 2004 |
| Northpark Mall | Joplin, MO | November 2004 |
| Mall del Norte | Laredo, TX | November 2004 |
| Laurel Park Place | Livonia, MI | June 2005 |
| The Mall of Acadiana | Lafayette, LA | July 2005 |
| Layton Hills Mall | Layton, UT | November 2005 |
| Layton Hills Convenience Center | Layton, UT | November 2005 |
| Oak Park Mall | Overland Park, KS | November 2005 |
| Eastland Mall | Bloomington, IL | November 2005 |
| Hickory Point Mall | Forsyth, IL | November 2005 |
| Triangle Town Center (50/50 joint venture) | Raleigh, NC | November 2005 |
| Triangle Town Place (50/50 joint venture) | Raleigh, NC | November 2005 |
| <u>New Developments:</u> | | |
| Coastal Grand-Myrtle Beach | Myrtle Beach, SC | March 2004 |
| The Shoppes at Panama City | Panama City, FL | March 2004 |
| Imperial Valley Mall | El Centro, CA | March 2005 |
| Southaven Towne Center | Southaven, MS | October 2005 |
| Gulf Coast Town Center Phase I (50/50 joint venture) | Ft. Myers, FL | November 2005 |

§ In January 2005, two power centers, one community center and one community center expansion were sold to Galileo America. Since we had a continuing involvement with these properties through our ownership interest in Galileo America and the agreement under which we were the exclusive manager of the properties, the results of operations of these properties were not reflected in discontinued operations. Therefore, the year ended December 31, 2005, does not include a significant amount of revenues and expenses related to these properties, whereas the year ended December 31, 2004 includes a full period of revenues and expenses related to these properties.

§ In August 2005, Galileo America redeemed our 8.4% ownership interest by distributing two community centers to us: Springdale Center in Mobile, AL, and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA. We also sold our management and advisory contracts with Galileo America to New Plan. See Note 5 to the consolidated financial statements for a more thorough discussion of these transactions.

Properties that were in operation for the entire period during 2005 and 2004 are referred to as the 2005 Comparable Properties in this section.

Revenues

The \$126.3 million increase in revenues was primarily attributable to increases of \$92.2 million from the 2005 New Properties and \$30.4 million from the 2005 Comparable Properties. These increases

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were offset by a reduction in revenues of \$7.0 million related to the community centers that were sold to Galileo America in January 2005.

The increase in revenues of the 2005 Comparable Properties was driven by our ability to maintain high occupancy levels while achieving a weighted average increase of 6.5% in rents from both new leases and lease renewals for comparable small shop spaces, as well as an increase in percentage rents.

The increase in management, development and leasing fees of \$10.7 million was primarily attributable to management and leasing fees received from Galileo America prior to the redemption of our interest in Galileo America, plus an \$8.0 million acquisition fee received from Galileo America that was related to Galileo America's acquisition of an approximately \$1.0 billion portfolio of shopping center properties from New Plan.

Operating Expenses

Property operating expenses including real estate taxes and maintenance and repairs, increased as a result of increases of \$29.7 million from the 2005 New Properties and \$1.6 million from the 2005 Comparable Properties. This was offset by a decrease of \$2.6 million related to the community centers that were sold to Galileo America in January 2005.

The increase in depreciation and amortization expense resulted from increases of \$28.6 million from the 2005 New Properties and \$8.9 million from the 2005 Comparable Properties. The increase attributable to the 2005 Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance.

General and administrative expenses increased \$3.9 million during 2005. Severance packages for individuals affected by the sale of our management and advisory contracts with Galileo America contributed \$1.3 million to the increase. The remainder of the increase is related to additional salaries and benefits for the personnel added to manage the Properties acquired during 2005 and 2004 combined with annual compensation increases for existing personnel. As a percentage of revenues, general and administrative expenses decreased to 4.3% in 2005 compared with 4.5% in 2004.

We recognized a loss on impairment of real estate assets of \$1.3 million during 2005, which was related to a \$1.0 million reduction in the carrying value of assets identified as held for sale at December 31, 2005, and an additional loss of \$0.3 million related to the properties that were sold to Galileo America in January 2005. The additional impairment loss of \$0.3 million was related to the adjustment of certain estimated amounts when the actual amounts became known in 2005. We recognized a loss on impairment of real estate assets of \$3.1 million during 2004 when we reduced the carrying value of ten community centers to their respective estimated fair values. The ten community centers included four community centers that were sold to Galileo America in January 2005, five community centers that were sold to a third party during March 2005 and one community center that was sold for a loss during the fourth quarter of 2004.

Other Income and Expenses

Interest expense increased \$31.0 million primarily due to the debt on the 2005 New Properties, the refinancings that were completed on the 2005 Comparable Properties and an increase in variable interest rates.

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Gain on sales of real estate assets of \$53.6 million in 2005 includes \$44.2 million of gains related to the redemption of our ownership interest in Galileo America, \$1.0 million from the recognition of deferred gain on properties that were previously sold to Galileo America and \$8.4 million of gains on the sales of eleven outparcels. The gain on sales of real estate assets of \$29.3 million in 2004 included \$26.8 million of gain related to the second phase of the Galileo America joint venture and \$2.5 million of gain on sales of seven outparcels at various properties.

The gain on sales of management contracts of \$21.6 million represents the gain on the sale of our management and advisory contracts with Galileo America to New Plan in August 2005.

Equity in earnings of unconsolidated affiliates decreased by \$1.8 million in 2005 as a result the redemption of our interest in Galileo America in August 2005. Additionally, although Coastal Grand-Myrtle Beach and Imperial Valley Mall opened in March 2004 and March 2005, respectively, our equity in the earnings of these two Properties was flat compared to the prior year. This was due to the mortgage loan that was placed on Coastal Grand-Myrtle Beach in September 2004, which is at a fixed interest rate that is higher than the previous variable rate loan.

Discontinued operations for 2005 represent the operations of the six community centers we sold during 2005, the operations of the two community centers that were classified as held for sale as of December 31, 2005 and the operations of three community centers that were sold in May 2006. Discontinued operations during 2004 reflect the results of two community centers that we sold during 2004, as well as the results of the properties described in the previous sentence.

Operational Review

The shopping center business is, to some extent, seasonal in nature with tenants achieving the highest levels of sales during the fourth quarter because of the holiday season, which results in higher percentage rent income in the fourth quarter. Additionally, the malls earn most of their short-term rents during the holiday period. Thus, occupancy levels and revenue production are generally the highest in the fourth quarter of each year. Results of operations realized in any one quarter may not be indicative of the results likely to be experienced over the course of the fiscal year.

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include Coastal Grand-Myrtle Beach in Myrtle Beach, SC, which opened in March 2004; Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven Towne Center in Southaven, MS, which opened in October 2005; and Gulf Coast Town Center (Phase I) in Ft. Myers, FL, which opened in November 2005.

We derive a significant amount of our revenues from the mall Properties. The sources of our revenues by property type were as follows:

| | Year Ended December 31, | | | |
|--------------------------------------|-------------------------|---|------|---|
| | 2006 | | 2005 | |
| Malls | 92.6 | % | 91.2 | % |
| Associated centers | 3.9 | % | 3.8 | % |
| Community centers | 0.7 | % | 0.9 | % |
| Mortgages, office building and other | 2.8 | % | 4.1 | % |

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Sales and Occupancy Costs

Mall store sales (for those tenants who occupy 10,000 square feet or less and have reported sales) in the stabilized malls increased 3.3% on a comparable per square foot basis to \$341 per square foot for 2006 compared with \$330 per square foot for 2005.

Occupancy costs as a percentage of sales for the stabilized malls were 12.1% and 11.8% for 2006 and 2005, respectively.

Occupancy

Our portfolio occupancy is summarized in the following table:

| | December 31, | | | |
|----------------------|---------------------|---|------|---|
| | 2006 | | 2005 | |
| Total portfolio | 94.1 | % | 94.5 | % |
| Total mall portfolio | 94.4 | % | 94.4 | % |
| Stabilized malls | 94.5 | % | 94.7 | % |
| Non-stabilized malls | 91.7 | % | 89.4 | % |
| Associated centers | 93.6 | % | 94.1 | % |
| Community centers | 85.6 | % | 95.3 | % |

The store closures and bankruptcies that occurred during the first quarter of 2006 continued to negatively impact occupancy as of December 31, 2006.

Leasing

Average annual base rents per square foot were as follows for each property type:

| | December 31, | |
|----------------------|---------------------|----------|
| | 2006 | 2005 |
| Stabilized malls | \$ 27.18 | \$ 26.87 |
| Non-stabilized malls | 26.83 | 27.41 |
| Associated centers | 11.32 | 10.55 |
| Community centers | 14.21 | 9.61 |
| Other | 19.48 | 19.33 |

During 2006, we achieved positive results from new and renewal leasing of comparable small shop space for spaces that were previously occupied as summarized in the following table:

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| Property Type | Square Feet | New Initial | | | New Average | | |
|-------------------------------|-------------|-------------|-----------|------------------|-------------|----------|---------|
| | | Prior Base | Base Rent | | Base Rent | % Change | |
| | | Rent PSF | PSF | % Change Initial | PSF | PSF | Average |
| All Property Types (1) | 2,562,207 | \$ 25.62 | \$ 27.01 | 5.4 % | \$ 27.81 | 8.5 % | |
| Stabilized Malls | 2,449,420 | 26.09 | 27.53 | 5.5 % | 28.35 | 8.7 % | |
| New leases | 965,563 | 25.90 | 29.70 | 14.7 % | 31.22 | 20.5 % | |
| Renewal leases | 1,483,857 | 26.22 | 26.11 | -0.4 % | 26.49 | 1.0 % | |

(1) Includes stabilized malls, associated centers, community centers and other.

Liquidity and Capital Resources

There was \$28.7 million of unrestricted cash and cash equivalents as of December 31, 2006, a decrease of \$0.1 million from December 31, 2005. Cash flows from operations are used to fund short-term liquidity and capital needs such as tenant construction allowances, capital expenditures and payments of dividends and distributions. For longer-term liquidity needs such as acquisitions, new developments, renovations and expansions, we typically rely on property specific mortgages (which are generally non-recourse), construction and term loans, revolving lines of credit, common stock, preferred stock, joint venture investments and a minority interest in the Operating Partnership.

Cash provided by operating activities decreased \$7.2 million to \$388.9 million for the year ended December 31, 2006. The decrease was primarily attributable to a combination of an increase in tenant and other accounts receivable and a reduction of our accounts payable and accrued liabilities as compared to the corresponding amounts at December 31, 2005. Additionally, 2005 included \$9.0 million of fee income related to the Galileo America transaction. These decreases were offset by an increase in cash from operations generated by the 2006 New Properties.

Debt

During 2006, we borrowed \$1.0 billion under mortgage and other notes payable and paid \$776.0 million to reduce outstanding borrowings. We paid \$0.6 million prepayment fees in connection with the extinguishment of certain mortgage notes payable during 2006 and paid \$5.6 million in financing costs in connection with the new borrowings.

The following tables summarize debt based on our pro rata ownership share, including our pro rata share of unconsolidated affiliates and excluding minority investors' share of consolidated Properties, because we believe this provides investors and lenders a clearer understanding of our total debt obligations and liquidity (in thousands):

| | Consolidated | Minority Interests | Unconsolidated Affiliates | Total Pro Rata Share | Weighted Average Interest Rate(1) | |
|---|--------------|--------------------|---------------------------|----------------------|-----------------------------------|---|
| December 31, 2006: | | | | | | |
| Fixed-rate debt: | | | | | | |
| Non-recourse loans on operating properties | \$ 3,517,710 | \$ (56,612) | \$ 218,203 | \$ 3,679,301 | 5.97 | % |
| Variable-rate debt: | | | | | | |
| Recourse term loans on operating properties | 101,464 | - | 27,816 | 129,280 | 6.46 | % |
| Construction loans | 114,429 | - | - | 114,429 | 6.61 | % |
| Lines of credit | 830,932 | - | - | 830,932 | 6.19 | % |
| Total variable-rate debt | 1,046,825 | - | 27,816 | 1,074,641 | 6.27 | % |
| Total | \$ 4,564,535 | \$ (56,612) | \$ 246,019 | \$ 4,753,942 | 6.03 | % |
| December 31, 2005: | | | | | | |
| Fixed-rate debt: | | | | | | |
| Non-recourse loans on operating properties | \$ 3,281,939 | \$ (51,950) | \$ 216,026 | \$ 3,446,015 | 5.99 | % |
| Variable-rate debt: | | | | | | |
| Recourse term loans on operating properties | 292,000 | - | 26,600 | 318,600 | 5.33 | % |
| Construction loans | 76,831 | - | - | 76,831 | 5.76 | % |
| Lines of credit | 690,285 | - | - | 690,285 | 5.29 | % |
| Total variable-rate debt | 1,059,116 | - | 26,600 | 1,085,716 | 5.33 | % |
| Total | \$ 4,341,055 | \$ (51,950) | \$ 242,626 | \$ 4,531,731 | 5.83 | % |

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- (1) Weighted average interest rate including the effect of debt premiums, but excluding amortization of deferred financing costs.

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The secured and unsecured credit facilities contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. We were in compliance with all financial covenants and restrictions under our credit facilities at December 31, 2006. Additionally, certain property-specific mortgage notes payable require the maintenance of debt service coverage ratios on their respective Properties. At December 31, 2006, the Properties subject to these mortgage notes payable were in compliance with the applicable ratios.

In February 2006, we amended one of the secured credit facilities to increase the maximum availability from \$373.0 million to \$476.0 million, extend the maturity date from February 26, 2006 to February 26, 2009 plus a one-year extension option, increase the minimum tangible net worth requirement, as defined, from \$1.0 billion to \$1.37 billion and increase the limit on the maximum availability that we may request from \$500.0 million to \$650.0 million. In August 2006, we amended this secured credit facility to reduce the interest rate from LIBOR plus 0.90% to LIBOR plus 0.80% and to amend certain financial covenants to provide us with enhanced borrowing flexibility.

In June 2006, we amended our \$100.0 million secured credit facility to change the maturity date from June 1, 2007 to June 1, 2008 and to substitute certain collateral under the facility.

In July 2006, we obtained four separate ten-year, non-recourse loans totaling \$317.0 million that bear interest at fixed rates ranging from 5.86% to 6.10%, with a weighted average of 5.96%. The proceeds were used to retire \$249.8 million of mortgage notes payable that were scheduled to mature during the next twelve months and to pay outstanding balances on our credit facilities. The mortgage notes payable that were retired consisted of three variable rate term loans totaling \$189.2 million and one fixed rate loan of \$60.6 million. We recorded a loss on extinguishment of debt of \$0.9 million related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

In August 2006, we amended one of our secured credit facilities to increase the availability from \$10.0 million to the greater of \$17.2 million or the borrowing base (as defined), to reduce the interest rate from LIBOR plus 1.00% to LIBOR plus 0.80%, to extend the maturity date from April 1, 2007 to April 1, 2008 and to amend certain financial covenants to provide us with enhanced borrowing flexibility.

In August 2006, we amended our unsecured credit facility with Wells Fargo Bank to increase the availability from \$500.0 million to \$560.0 million, extend the maturity date from August 27, 2006 to August 27, 2008 plus three one-year extension options, amend certain financial covenants to provide us with enhanced borrowing flexibility, increase the limit on the maximum availability that we may request from \$600.0 million to \$700.0 million and add a letter of credit feature to the credit facility. The credit facility bears interest at the LIBOR plus a margin of 0.75% to 1.20% based on our leverage, as defined in the agreement. At December 31, 2006, the outstanding borrowings of \$330.0 million under the unsecured credit facility had a weighted average interest rate of 6.25%. Additionally, we pay an annual fee of 0.1% of the amount of total availability under the unsecured credit facility.

We expect to refinance the majority of mortgage and other notes payable maturing over the next year with replacement loans. Based on our pro rata share of total debt, there is \$91.8 million of debt that is scheduled to mature in 2007, which we expect to repay or refinance.

Equity

During 2006, holders of 1,480,066 common units of limited partnership interest in the Operating Partnership and holders of 595,041 Series J special common units (J-SCUs) of limited partnership interest

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in the Operating Partnership exercised their conversion rights. We elected to issue 1,979,644 shares of common stock and to pay cash of \$3.6 million in exchange for these limited partnership interests.

We received \$9.3 million in proceeds from issuances of common stock during 2006 from exercises of employee stock options and our dividend reinvestment plan.

During 2006 we paid dividends of \$153.4 million to holders of our common stock and our preferred stock, as well as \$110.0 million in distributions to the minority interest investors in our Operating Partnership and certain shopping center Properties.

As a publicly traded company, we have access to capital through both the public equity and debt markets. In January 2006, we filed a shelf registration statement with the Securities and Exchange Commission authorizing us to publicly issue shares of preferred stock, common stock and warrants to purchase shares of common stock. There is no limit to the offering price or number of shares that we may issue under this shelf registration statement.

We anticipate that the combination of equity and debt sources will, for the foreseeable future, provide adequate liquidity to continue our capital programs substantially as in the past and make distributions to our shareholders in accordance with the requirements applicable to real estate investment trusts.

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of our equity, our debt-to-total-market capitalization (debt plus market-value equity) ratio was as follows at December 31, 2006 (in thousands, except stock prices):

| | Shares | | |
|---|--------------------|------------------------|---------------|
| | Outstanding | Stock Price (1) | Value |
| Common stock and operating partnership units | 116,280 | \$ 43.35 | \$ 5,040,738 |
| 8.75% Series B Cumulative Redeemable Preferred Stock | 2,000 | 50.00 | 100,000 |
| 7.75% Series C Cumulative Redeemable Preferred Stock | 460 | 250.00 | 115,000 |
| 7.375% Series D Cumulative Redeemable Preferred Stock | 700 | 250.00 | 175,000 |
| Total market equity | | | 5,430,738 |
| Company's share of total debt | | | 4,753,942 |
| Total market capitalization | | | \$ 10,184,680 |
| Debt-to-total-market capitalization ratio | | | 46.7 % |

(1) Stock price for common stock and operating partnership units equals the closing price of our common stock on December 29, 2006. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

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Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2006 (dollars in thousands):

| | Payments Due By Period | | | | |
|--|------------------------|---------------------|---------------------|-------------------|----------------------|
| | Total | Less Than 1 Year | 1 3 Years | 3 5 Years | More Than 5 Years |
| <i>Long-term debt:</i> | | | | | |
| Total consolidated debt service (1) | \$ 5,848,690 | \$ 436,830 | \$ 2,266,312 | \$ 959,848 | \$ 2,185,700 |
| Minority investors share in shopping center properties | (76,538) | (5,080) | (17,856) | (7,789) | (45,813) |
| Our share of unconsolidated affiliates debt service (2) | 384,378 | 16,265 | 59,927 | 28,947 | 279,239 |
| Our share of total debt service obligations | 6,156,530 | 448,015 | 2,308,383 | 981,006 | 2,419,126 |
| <i>Operating leases: (3)</i> | | | | | |
| Ground leases on consolidated properties | 38,194 | 626 | 1,260 | 1,371 | 34,937 |
| Minority investors share in shopping center properties | (2,343) | (33) | (71) | (76) | (2,163) |
| Our share of total ground lease obligations | 35,851 | 593 | 1,189 | 1,295 | 32,774 |
| <i>Purchase obligations: (4)</i> | | | | | |
| Construction contracts on consolidated properties | 78,111 | 78,111 | | | |
| Our share of construction contracts on unconsolidated properties | 4,607 | 4,607 | | | |
| | 82,718 | 82,718 | | | |
| Total contractual obligations | \$ 6,268,347 | \$ 531,326 | \$ 2,309,572 | \$ 982,301 | \$ 2,445,148 |

- (1) Represents principal and interest payments due under terms of mortgage and other notes payable and includes \$1,046,825 of variable-rate debt on three operating Properties, three construction loans, four secured credit facilities and one unsecured credit facility. The variable-rate loans on the operating Properties call for payments of interest only with the total principal due at maturity. The construction loans and credit facilities do not require scheduled principal payments. The future contractual obligations for all variable-rate indebtedness reflect payments of interest only throughout the term of the debt with the total outstanding principal at December 31, 2006 due at maturity. The future interest payments are projected based on the interest rates that were in effect at December 31, 2006. See Note 6 to the consolidated financial statements for additional information regarding the terms of long-term debt.
- (2) Includes \$27,816 of variable-rate indebtedness. Future contractual obligations have been projected using the same assumptions as used in (1) above.
- (3) Obligations where we own the buildings and improvements, but lease the underlying land under long-term ground leases. The maturities of these leases range from 2006 to 2091 and generally provide for renewal options. Renewal options have not been included in the future contractual obligations.
- (4) Represents the remaining balance to be incurred under construction contracts that had been entered into as of December 31, 2006, but were not complete. The contracts are primarily for development, renovation and expansion of Properties.

Capital Expenditures

We expect to continue to have access to the capital resources necessary to expand and develop our business. Future development and acquisition activities will be undertaken as suitable opportunities arise. We do not expect to pursue these activities unless adequate sources of financing are available and we can achieve satisfactory returns on our investments.

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An annual capital expenditures budget is prepared for each property that is intended to provide for all necessary recurring and non-recurring capital expenditures. We believe that property operating cash flows, which include reimbursements from tenants for certain expenses, will provide the necessary funding for these expenditures.

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Developments and Expansions

The following tables summarize our development projects as of December 31, 2006 (dollars in thousands):

Properties Opened Year-to-date

(Dollars in thousands)

| Property | Location | Total Project Square Feet | CBL's Share of | | Date Opened | Initial Yield | |
|---|-------------------|---------------------------|----------------|--------------|-------------|---------------|---|
| | | | Total Cost | Cost To Date | | | |
| Redevelopments: | | | | | | | |
| Burnsville Center | Burnsville, MN | 82,900 | \$ 13,000 | \$ 13,000 | Apr-06 | 9.0 | % |
| Hickory Hollow Mall - former JCPenney | Nashville, TN | 138,189 | 6,865 | 6,865 | Jun-06 | 8.5 | % |
| Hamilton Crossing | Chattanooga, TN | 185,370 | 4,613 | 4,295 | Sep-06 | 10.8 | % |
| Cary Towne Center | Cary, NC | 21,595 | 4,720 | 4,362 | Dec-06 | 10.8 | % |
| Mall Expansions: | | | | | | | |
| Cross Creek Mall - Starbucks & Salsarita's | Fayetteville, NC | 4,900 | 1,048 | 1,048 | Apr-06 | 10.0 | % |
| Southaven Town Center - Gordman's | Southaven, MS | 59,000 | 7,200 | 7,200 | Apr-06 | 8.6 | % |
| Coastal Grand - PetSmart | Myrtle Beach, SC | 20,100 | 2,600 | 2,600 | May-06 | 8.0 | % |
| Hanes Mall - Dick's Sporting Goods | Winston Salem, NC | 66,000 | 10,200 | 9,629 | Jul-06 | 10.0 | % |
| Cary Towne Center - Starbucks & Pei Wei Diner | Cary, NC | 4,950 | 1,228 | 1,228 | Aug-06 | 9.2 | % |
| The District at Valley View - Restaurants | Roanoke, VA | 14,376 | 975 | 975 | Nov-06 | | |
| Open-Air Center Expansions: | | | | | | | |
| Southaven Town Center - Books-A-Million | Southaven, MS | 15,000 | 2,530 | 2,530 | Oct-06 | 10.0 | % |
| Gulf Coast Town Center - Phase II - anchors (a) | Ft. Myers, FL | 357,000 | 54,644 | (b) 54,644 | Nov-06 | 9.2 | % |
| Associated Centers: | | | | | | | |
| The Plaza at Fayette Mall | Lexington, KY | 190,309 | 38,341 | 37,703 | Jul/Nov-06 | 9.0 | % |
| Community Centers: | | | | | | | |
| Lakeview Point | Stillwater, OK | 207,300 | 22,120 | 22,120 | Oct-06 | 9.1 | % |
| High Pointe Commons (a) | Harrisburg, PA | 299,395 | 8,100 | 7,814 | Oct-06 | 11.3 | % |
| The Shops at Pineda Ridge | Melbourne, FL | 169,974 | 6,445 | 4,365 | Nov-06 | 9.7 | % |
| | | 1,836,358 | \$ 184,629 | \$ 180,378 | | | |

Announced Property Renovations and Redevelopments

(Dollars in thousands)

| Property | Location | Total Project Square Feet | CBL's Share of | | Opening Date | Initial Yield |
|--------------------------|----------------|---------------------------|----------------|--------------|--------------|---------------|
| | | | Total Cost | Cost To Date | | |
| Mall Renovations: | | | | | | |
| Brookfield Square | Brookfield, WI | 1,091,845 | \$ 13,500 | \$ 1,342 | Fall-07 | NA |
| Georgia Square | Athens, GA | 673,138 | 13,200 | 335 | Fall-07 | NA |

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| | | | | | | | |
|----------------------------------|-----------------|-----------|-----------|----------|---------------|-----|---|
| Mall del Norte | Laredo, TX | 1,198,199 | 18,400 | 593 | Fall-07 | NA | |
| Honey Creek Mall | Terre Haute, IN | 680,890 | 4,600 | | Fall-07 | NA | |
| Redevelopments: | | | | | | | |
| Mall del Norte - Theater | Laredo, TX | 72,000 | 15,628 | 1,731 | Spring-07 | 7.0 | % |
| Columbia Place - Former JCPenney | Columbia, SC | 124,819 | 15,051 | 3,465 | Aug-07/Feb-08 | 5.5 | % |
| | | 3,840,891 | \$ 80,379 | \$ 7,466 | | | |

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Properties Under Development at December 31, 2006

(Dollars in thousands)

| Property | Location | Total Project Square Feet | CBL's Share of | | Opening Date | Initial Yield | |
|---|----------------------|---------------------------|----------------|--------------|------------------|---------------|---|
| | | | Total Cost | Cost To Date | | | |
| Mall Expansions: | | | | | | | |
| The District at Valley View - shops | Roanoke, VA | 60,900 | \$ 17,757 | \$ 9,796 | June-07 | 8.1 | % |
| Brookfield Square - restaurant addition | Brookfield, WI | 19,500 | 6,474 | 1,342 | Spring/Fall 2007 | 8.6 | % |
| The District at CherryVale | Rockford, IL | 84,541 | 20,835 | 2,933 | Fall-07 | 7.0 | % |
| Harford Mall - lifestyle expansion | Bel Air, MD | 39,222 | (c) 9,736 | 910 | September-07 | 6.1 | % |
| Southpark Mall - Regal Cinema | Colonial Heights, VA | 85,392 | 15,510 | 3,168 | Fall-07 | 8.5 | % |
| Open-Air Center Expansions: | | | | | | | |
| Gulf Coast Town Center - Phase II-shops/Phase III (a) | Ft. Myers, FL | 595,990 | 70,150 | (b) 16,737 | Mar-07/Apr-07 | 9.2 | % |
| Associated/Lifestyle Centers: | | | | | | | |
| The Shoppes at St. Clair Square | Fairview Heights, IL | 84,080 | 27,487 | 24,614 | March-07 | 7.0 | % |
| Milford Marketplace | Milford, CT | 110,516 | 26,624 | 5,279 | July-07 | 8.2 | % |
| Brookfield Square - Corner Shops & Fresh Market | Brookfield, WI | 57,511 | 13,332 | 9,119 | Spring/Fall 2007 | 8.6 | % |
| Office: | | | | | | | |
| CBL Center II | Chattanooga, TN | 64,847 | 17,100 | 70 | January-08 | 7.8 | % |
| Mixed -Use Centers: | | | | | | | |
| Pearland Town Center | Pearland, TX | 716,651 | 154,182 | 28,172 | Fall-08 | 7.4 | % |
| Community/Open-Air Centers: | | | | | | | |
| Alamance Crossing East | Burlington, NC | 626,095 | 96,934 | 47,834 | August-07 | 8.4 | % |
| York Town Center (a) | York, PA | 271,845 | 20,706 | 13,345 | September-07 | 9.4 | % |
| Cobblestone Village at Palm Coast | Palm Coast, FL | 277,950 | 10,588 | 13,985 | (d) October-07 | 7.7 | % |
| | | 3,095,040 | \$ 507,415 | \$ 177,304 | | | |

(a) 50/50 Joint Venture

(b) Amounts shown are 100% of total cost and cost to date for all of Phase II.

(c) Total square footage includes redevelopment and expansion of 2,641 square feet.

(d) Expect to receive reimbursements from future sales of vacant land.

There are construction loans in place for the development costs of Alamance Crossing, Gulf Coast Town Center, The Shoppes at St. Clair and York Town Center. We expect to obtain a construction loan for Milford Marketplace during the first quarter of 2007. The remaining development costs will be funded with operating cash flows and the credit facilities.

We have entered into a number of option agreements for the development of future regional malls and community centers. Except for the projects listed in the above table, we do not have any other material capital commitments.

Dispositions

We received a total of \$127.1 million in net cash proceeds from the sales of real estate assets during 2006. We also received cash proceeds of \$2.5 million from the sale of equity securities that had been classified as available for sale, which resulted in a gain of \$1.1 million.

Other Capital Expenditures

Including our share of unconsolidated affiliates' capital expenditures, we spent \$48.3 million in 2006 for tenant allowances, which generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were \$38.3 million for 2006 and included \$16.4 million for resurfacing and improved lighting of parking lots, \$12.4 million for roof repairs and replacements and \$9.5 million for various other expenditures. Renovation expenditures were \$62.3 million in 2006.

Deferred maintenance expenditures are billed to tenants as common area maintenance expense, and most are recovered over a 5- to 15-year period. Renovation expenditures are primarily for remodeling and upgrades of malls, of which approximately 30% is recovered from tenants over a 5- to 15-year period.

We expect to renovate four malls for a total estimated cost of \$47.9 million and to redevelop space at two additional malls during 2007 at a total estimated cost of \$30.7 million, which will be funded from operating cash flows and availability under our credit facilities.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 14 unconsolidated affiliates that are described in Note 5 to the consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the consolidated balance sheets as

Investments in Unconsolidated Affiliates. The following are circumstances when we may consider entering into a joint venture with a third party:

- § Third parties may approach us with opportunities where they have obtained land and performed some pre-development activities, but they may not have sufficient access to the capital resources or the development and leasing expertise to bring the project to fruition. We enter into such arrangements when we determine such a project is viable and we can achieve a satisfactory return on our investment. We typically earn development fees from the joint venture and provide management and leasing services to the property for a fee once the property is placed in operation.
- § We determine that we may have the opportunity to capitalize on the value we have created in a property by selling an interest in the property to a third party. This provides us with an additional source of capital that can be used to develop or acquire additional real estate assets that we believe will provide greater potential for growth. When we retain an interest in an asset rather than selling a 100% interest, it is typically because this allows us to continue to manage the property, which provides us the ability to earn fees for management, leasing, development, financing and acquisition services provided to the joint venture.

Guarantees

We may issue guarantees on the debt of a joint venture primarily because it allows the joint venture to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the joint venture on its investment, and in a higher return on our investment in the joint venture. We may receive a fee from the joint venture for providing the guaranty. Additionally, when we issue a guaranty, the terms of the joint

venture agreement typically provide that we may receive indemnification from the joint venture.

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As of December 31, 2006, we have guaranteed 50% of the debt of Parkway Place L.P. The total amount outstanding at December 31, 2006, was \$53.2 million, of which we have guaranteed \$26.6 million. The guaranty will expire when the related debt matures in June 2008. We have not recorded an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

We have guaranteed the performance of York Town Center, LP (YTC), an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that will own property adjacent to the shopping center property YTC is currently developing. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. We have guaranteed YTC's performance under this agreement up to a maximum of \$22.0 million, which decreases by \$0.8 million annually until the guaranteed amount is reduced to \$10.0 million. We entered into an agreement with our joint venture partner under which our partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We have not recorded an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

Our guarantees and the related accounting are more fully described in Note 16 to the consolidated financial statements.

Critical Accounting Policies

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements. The following discussion describes our most critical accounting policies, which are those that are both important to the presentation of our financial condition and results of operations and that require significant judgment or use of complex estimates.

Revenue Recognition

Minimum rental revenue from operating leases is recognized on a straight-line basis over the initial terms of the related leases. Certain tenants are required to pay percentage rent if their sales volumes exceed thresholds specified in their lease agreements. Percentage rent is recognized as revenue when the thresholds are achieved and the amounts become determinable.

We receive reimbursements from tenants for real estate taxes, insurance, common area maintenance, and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized as revenue in the period the related operating expenses are incurred. Tenant reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 15 years and are recognized as revenue when billed.

We receive management, leasing and development fees from third parties and unconsolidated affiliates. Management fees are charged as a percentage of revenues (as defined in the management agreement) and are recognized as revenue when earned. Development fees are recognized as revenue on a pro rata basis over the development period. Leasing fees are charged for newly executed leases and lease renewals and are recognized as revenue when earned. Development and leasing fees received from unconsolidated affiliates during the development period are recognized as revenue to the extent of the third-party partners' ownership interest. Fees to the extent of our ownership interest are recorded as a reduction to our investment in the unconsolidated affiliate.

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Gains on sales of real estate assets are recognized when it is determined that the sale has been consummated, the buyer's initial and continuing investment is adequate, our receivable, if any, is not subject to future subordination, and the buyer has assumed the usual risks and rewards of ownership of the asset. When we have an ownership interest in the buyer, gain is recognized to the extent of the third party partner's ownership interest and the portion of the gain attributable to our ownership interest is deferred.

Real Estate Assets

We capitalize predevelopment project costs paid to third parties. All previously capitalized predevelopment costs are expensed when it is no longer probable that the project will be completed. Once development of a project commences, all direct costs incurred to construct the project, including interest and real estate taxes, are capitalized. Additionally, certain general and administrative expenses are allocated to the projects and capitalized based on the amount of time applicable personnel work on the development project. Ordinary repairs and maintenance are expensed as incurred. Major replacements and improvements are capitalized and depreciated over their estimated useful lives.

All acquired real estate assets are accounted for using the purchase method of accounting and accordingly, the results of operations are included in the consolidated statements of operations from the respective dates of acquisition. The purchase price is allocated to (i) tangible assets, consisting of land, buildings and improvements, as if vacant, and tenant improvements and (ii) identifiable intangible assets and liabilities generally consisting of above- and below-market leases and in-place leases. We use estimates of fair value based on estimated cash flows, using appropriate discount rates, and other valuation methods to allocate the purchase price to the acquired tangible and intangible assets. Liabilities assumed generally consist of mortgage debt on the real estate assets acquired. Assumed debt with a stated interest rate that is significantly different from market interest rates is recorded at its fair value based on estimated market interest rates at the date of acquisition.

Depreciation is computed on a straight-line basis over estimated lives of 40 years for buildings, 10 to 20 years for certain improvements and 7 to 10 years for equipment and fixtures. Tenant improvements are capitalized and depreciated on a straight-line basis over the term of the related lease. Lease-related intangibles from acquisitions of real estate assets are amortized over the remaining terms of the related leases. The amortization of above- and below-market leases is recorded as an adjustment to minimum rental revenue, while the amortization of all other lease-related intangibles is recorded as amortization expense. Any difference between the face value of the debt assumed and its fair value is amortized to interest expense over the remaining term of the debt using the effective interest method.

Carrying Value of Long-Lived Assets

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations. We recorded losses on the impairment of real estate assets of \$0.5 million, \$1.3 million and \$3.1 million in 2006, 2005 and 2004, respectively, which are discussed in Note 2 to the consolidated financial statements.

Recent Accounting Pronouncements

In June 2005, the Financial Accounting Standards Board (FASB) issued Emerging Issues Task Force (EITF) Issue No. ~~04-5~~ *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. EITF Issue No. 04-5 provides a framework for determining whether a general partner controls, and should

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consolidate, a limited partnership or a similar entity. EITF Issue No. 04-5 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships were required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-5 did not result in any changes to the manner in which we account for our joint ventures.

In June 2005, the FASB issued FSP 78-9-1, *Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5*. The EITF acknowledged that the consensus in EITF Issue No. 04-5 conflicts with certain aspects of Statement of Position (SOP) 78-9, *Accounting for Investments in Real Estate Ventures*. The EITF agreed that the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-5. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-5. The adoption of FSP 78-9-1 did not result in any changes to the manner in which we account for our joint ventures.

On July 13, 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. We are currently evaluating the impact that the adoption of FIN 48 will have on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The transition adjustment, which is measured as the difference between the carrying amount and the fair value of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which SFAS No. 157 is initially applied. We will adopt the provisions of SFAS No. 157 on January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 requires companies to evaluate the materiality of identified unadjusted errors on each financial statement and related financial statement disclosure using both the rollover approach and the iron curtain approach, as those terms are defined in SAB No. 108. The rollover approach quantifies misstatements based on the amount of the error in the current year financial statement, whereas the iron curtain approach quantifies misstatements based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origin. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. If a Company determines that an adjustment to prior year financial statements is required upon adoption of SAB No. 108 and does not elect to restate its previous financial statements, then it must recognize the cumulative effect of applying SAB No. 108 in fiscal 2006 beginning balances of the affected assets and liabilities with a corresponding adjustment to the fiscal 2006 opening balance in retained earnings. SAB No. 108 is effective for interim periods of the first fiscal year ending after November 15, 2006. We adopted SAB No. 108 on December 31, 2006 and, in accordance with the initial application provisions of SAB No. 108, adjusted retained earnings as of January 1, 2006. This adjustment

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was considered to be immaterial individually and in the aggregate in prior years based on the Company's historical method of assessing materiality. See Note 20 to the consolidated financial statements for further discussion.

Impact of Inflation

In the last three years, inflation has not had a significant impact on our operations because of the relatively low inflation rate. Substantially all tenant leases do, however, contain provisions designed to protect us from the impact of inflation. These provisions include clauses enabling us to receive percentage rent based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than 10 years which may provide us the opportunity to replace existing leases with new leases at higher base and/or percentage rent if rents of the existing leases are below the then existing market rate. Most of the leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, which reduces our exposure to increases in costs and operating expenses resulting from inflation.

Funds From Operations

Funds From Operations (FFO) is a widely used measure of the operating performance of real estate companies that supplements net income determined in accordance with generally accepted accounting principles (GAAP). The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (computed in accordance with GAAP) excluding gains or losses on sales of operating properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures and minority interests. Adjustments for unconsolidated partnerships and joint ventures and minority interests are calculated on the same basis. We define FFO allocable to common shareholders as defined above by NAREIT less dividends on preferred stock. Our method of calculating FFO allocable to common shareholders may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

We believe that FFO provides an additional indicator of the operating performance of our Properties without giving effect to real estate depreciation and amortization, which assumes the value of real estate assets declines predictably over time. Since values of well-maintained real estate assets have historically risen with market conditions, we believe that FFO enhances investors' understanding of our operating performance. The use of FFO as an indicator of financial performance is influenced not only by the operations of our Properties and interest rates, but also by our capital structure.

We present both FFO of our operating partnership and FFO allocable to common shareholders, as we believe that both are useful performance measures. We believe FFO of our operating partnership is a useful performance measure since we conduct substantially all of our business through our operating partnership and, therefore, it reflects the performance of the Properties in absolute terms regardless of the ratio of ownership interests of our common shareholders and the minority interest in our operating partnership. We believe FFO allocable to common shareholders is a useful performance measure because it is the performance measure that is most directly comparable to net income available to common shareholders.

In our reconciliation of net income available to common shareholders to FFO allocable to common shareholders that is presented below, we make an adjustment to add back minority interest in earnings of our operating partnership in order to arrive at FFO of our operating partnership. We then apply a percentage to FFO of our operating partnership to arrive at FFO allocable to common shareholders. The percentage is computed by taking the weighted average number of common shares outstanding for the period and dividing it by the sum of the weighted average number of common shares and the weighted average number of operating partnership units outstanding during the period.

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FFO does not represent cash flows from operations as defined by accounting principles generally accepted in the United States, is not necessarily indicative of cash available to fund all cash flow needs and should not be considered as an alternative to net income for purposes of evaluating our operating performance or to cash flow as a measure of liquidity.

FFO of the Operating Partnership increased to \$390.1 million in 2006 compared to \$390.0 million in 2005. FFO of the Operating Partnership in 2005 included \$30.3 million associated with one-time fee income and gains from the transaction with Galileo America. Excluding these items from FFO of the Operating Partnership in 2005, FFO of the Operating Partnership increased 8.5%, or \$30.4 million. The 2006 New Properties generated 71.2% of the growth in FFO of the Operating Partnership, while consistently high portfolio occupancy, increases in rental rates from new and renewal leasing and increased recoveries of operating expenses at the 2006 Comparable Properties accounted for 28.8% of the growth in FFO of the Operating Partnership.

The reconciliation of FFO to net income available to common shareholders is as follows (in thousands):

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| Net income available to common shareholders | \$ 86,933 | \$ 131,907 | \$ 102,802 |
| Minority interest in earnings of operating partnership | 70,323 | 112,061 | 85,186 |
| Depreciation and amortization expense of: | | | |
| Consolidated properties | 230,323 | 179,474 | 142,004 |
| Unconsolidated affiliates | 13,405 | 9,210 | 6,144 |
| Discontinued operations | 515 | 2,037 | 626 |
| Non-real estate assets | (851) | (861) | (586) |
| Minority investors' share of depreciation and amortization | (2,286) | (1,390) | (1,230) |
| (Gain) loss on: | | | |
| Sales of operating real estate assets | 119 | (42,562) | (23,696) |
| Discontinued operations | (8,392) | 82 | (845) |
| Funds from operations of the operating partnership | 390,089 | 389,958 | 310,405 |
| Percentage allocable to Company shareholders ⁽¹⁾ | 55.32 % | 54.81 % | 54.68 % |
| Funds from operations allocable to Company shareholders | \$ 215,814 | \$ 213,596 | \$ 169,725 |

⁽¹⁾ Represents the weighted average number of common shares outstanding for the period divided by the sum of the weighted average number of common shares and the weighted average number of operating partnership units outstanding during the period.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on our debt obligations. Our interest rate risk management policy requires that we use derivative financial instruments for hedging purposes only and that, if we do enter into a derivative financial instrument, the derivative financial instrument be entered into with only major financial institutions based on their credit ratings and other factors. We did not have any derivative financial instruments at December 31, 2006 and 2005.

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at December 31, 2006, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately \$5.4 million and, after the effect of capitalized interest, annual earnings by approximately \$4.4 million.

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Based on our proportionate share of total consolidated and unconsolidated debt at December 31, 2006, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$79.5 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$82.1 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index to Financial statements contained in Item 15 on page 59.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES

General

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of the end of the period covered by this annual report, an evaluation was performed under the supervision of our Chief Executive Officer and Chief Financial Officer and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are not effective solely because of the material weakness in internal control over financial reporting described below.

Report Of Management On Internal Control Over Financial Reporting

Management of CBL & Associates Properties, Inc. and its consolidated subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2006, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2006, the Company did not maintain effective internal control over financial reporting because of the effect of a material weakness in the design and operating effectiveness of the Company's

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system of internal controls related to the accounting and reporting for income taxes. Specifically, the Company incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, the Company improperly

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recorded deferred income taxes. As a result the Company adjusted the consolidated financial statements to comply with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has issued their attestation report, which is included below, on management's assessment of our internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006.

Report Of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

CBL & Associates Properties, Inc.

We have audited management's assessment, included in the accompanying Report of Management on Internal Control over Financial Reporting, that CBL & Associates Properties, Inc. and subsidiaries (the Company) did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the material weakness identified in management's assessment, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment:

As of December 31, 2006, the Company did not maintain effective internal control over the process of accounting and reporting for income taxes due to a deficiency in the design and operating effectiveness of the Company's internal controls over income taxes. Specifically, the Company incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, the Company improperly recorded deferred income taxes. As a result the Company adjusted the consolidated financial statements to comply with accounting principles generally accepted in the United States of America.

This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements and consolidated financial statement schedules as of and for the year ended December 31, 2006, of the Company and this report does not affect our report on such consolidated financial statements and consolidated financial statement schedules.

In our opinion, management's assessment that the Company did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2006 of the Company and our report dated March 1, 2007 expressed an unqualified opinion on those financial statements and financial statement schedules and includes explanatory paragraphs regarding the adoption of Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*, on January 1, 2006, and the adoption of SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, on December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

March 1, 2007

Changes in Internal Control Over Financial Reporting

As a result of the material weakness described above, the Company plans to review and evaluate the design of its internal control process over accounting and reporting for income taxes and plans to take the following actions to remediate this reported material weakness in internal control over financial reporting:

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Review the procedures the Company has in place related to accounting and reporting for income taxes to determine if changes are appropriate;

Educate and train Company employees about accounting and reporting for income taxes;

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Incorporated herein by reference to the sections entitled Election of Directors, Directors and Executive Officers, Certain Terms of the Jacobs Acquisition, Corporate Governance Matters, Board of Directors Meetings and Committees Audit Committee, and Section 16(a) Beneficial Ownership Reporting Compliance in our most recent definitive proxy statement filed with the Securities and Exchange Commission (the Commission) with respect to our Annual Meeting of Stockholders to be held on May 7, 2007.

Our board of directors has determined that Winston W. Walker, an independent director and chairman of the audit committee, qualifies as an audit committee financial expert as such term is defined by the rules of the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION.

Incorporated herein by reference to the sections entitled Compensation of Directors, Executive Compensation, Compensation Committee Report and Compensation Committee Interlocks and Insider Participation in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 7, 2007.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Incorporated herein by reference to the sections entitled Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information as of December 31, 2006 , in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 7, 2007.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Incorporated herein by reference to the sections entitled Corporate Governance Matters Director Independence and Certain Relationships and Related Transactions in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of

Stockholders to be held on May 7, 2007.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference to the section entitled "Independent Registered Public Accountants Fees and Services" under "RATIFICATION OF THE SELECTION OF INDEPENDENT

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REGISTERED PUBLIC ACCOUNTANTS in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 7, 2007.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

| (1) <i>Consolidated Financial Statements</i> | <i>Page Number</i> |
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| Consolidated Statements of Operations for the Years Ended | |
| December 31, 2006, 2005 and 2004 | 64 |
| Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2006, 2005 and 2004 | 65 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004 | 67 |
| Notes to Consolidated Financial Statements | 69 |
| (2) <i>Consolidated Financial Statement Schedules</i> | |
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| Schedule III Real Estate and Accumulated Depreciation | 104 |
| Schedule IV Mortgage Loans on Real Estate | 111 |

Financial statement schedules not listed herein are either not required or are not present in amounts sufficient to require submission of the schedule or the information required to be included therein is included in our consolidated financial statements in Item 15 or are reported elsewhere.

(3) *Exhibits*

The Exhibit Index attached to this report is incorporated by reference into this Item 15(a)(3).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CBL & ASSOCIATES PROPERTIES, INC.
(Registrant)

By: /s/ John N. Foy
John N. Foy
Vice Chairman of the Board, Chief Financial Officer

and Treasurer

Dated: March 1, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|--|---------------|
| /s/ Charles B. Lebovitz Charles B. Lebovitz | Chairman of the Board, and Chief Executive Officer (Principal Executive Officer) | March 1, 2007 |
| /s/ John N. Foy John N. Foy | Vice Chairman of the Board, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer) | March 1, 2007 |
| /s/ Stephen D. Lebovitz* Stephen D. Lebovitz | Director, President and Secretary | March 1, 2007 |
| /s/ Claude M. Ballard* Claude M. Ballard | Director | March 1, 2007 |
| /s/ Leo Fields* Leo Fields | Director | March 1, 2007 |
| /s/ Matthew S. Dominski* Matthew S. Dominski | Director | March 1, 2007 |
| /s/ Winston W. Walker* Winston W. Walker | Director | March 1, 2007 |
| /s/ Gary L. Bryenton* Gary L. Bryenton | Director | March 1, 2007 |
| /s/ Martin J. Cleary* Martin J. Cleary | Director | March 1, 2007 |
| *By: <u>/s/ John N. Foy</u> John N. Foy | Attorney-in-Fact | March 1, 2007 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

CBL & Associates Properties, Inc.

We have audited the accompanying consolidated balance sheets of CBL & Associates Properties, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CBL & Associates Properties, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As described in Note 18 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*, on January 1, 2006, utilizing the modified prospective application transition method.

Also, as described in Note 20 to the consolidated financial statements, the Company adopted SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, on December 31, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of a material weakness.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

March 1, 2007

CBL & Associates Properties, Inc.

Consolidated Balance Sheets

(In thousands, except share data)

ASSETS

Real estate assets:

Land

Buildings and improvements

Accumulated depreciation

Real estate assets held for sale

Developments in progress

Net investment in real estate assets

Cash and cash equivalents

Receivables:

Tenant, net of allowance for doubtful accounts of \$1,128 in 2006 and \$3,439 in 2005

Other

Mortgage notes receivable

Investments in unconsolidated affiliates

Other assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Mortgage and other notes payable

Accounts payable and accrued liabilities

Total liabilities

Commitments and contingencies (Notes 3, 5 and 16)

Minority interests

Shareholders' equity:

Preferred stock, \$.01 par value, 15,000,000 shares authorized:

8.75% Series B cumulative redeemable preferred stock, 2,000,000 shares outstanding in 2006 and 2005

7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2006 and 2005

7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2006 and 2005

Common stock, \$.01 par value, 180,000,000 shares authorized, 65,421,311 and 62,512,816 shares issued and outstanding in 2006 and 2005, respectively

Additional paid-in capital

Deferred compensation

Accumulated other comprehensive income

Retained earnings

Total shareholders' equity

The accompanying notes are an integral part of these balance sheets.

CBL & Associates Properties, Inc.**Consolidated Statements of Operations**

(In thousands, except per share amounts)

| | Year Ended December 31 | | |
|--|-------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| REVENUES: | | | |
| Minimum rents | \$ 620,251 | \$ 548,424 | \$ 476,305 |
| Percentage rents | 24,047 | 23,157 | 15,951 |
| Other rents | 20,261 | 17,674 | 16,102 |
| Tenant reimbursements | 308,857 | 278,199 | 245,989 |
| Management, development and leasing fees | 5,067 | 20,521 | 9,791 |
| Other | 23,658 | 19,485 | 17,005 |
| Total revenues | 1,002,141 | 907,460 | 781,143 |
| EXPENSES: | | | |
| Property operating | 161,398 | 151,148 | 139,327 |
| Depreciation and amortization | 230,323 | 179,474 | 142,004 |
| Real estate taxes | 80,983 | 67,981 | 58,032 |
| Maintenance and repairs | 54,709 | 50,454 | 43,514 |
| General and administrative | 39,522 | 39,197 | 35,338 |
| Loss on impairment of real estate assets | 480 | 1,334 | 3,080 |
| Other | 18,623 | 15,444 | 16,373 |
| Total expenses | 586,038 | 505,032 | 437,668 |
| Income from operations | 416,103 | 402,428 | 343,475 |
| Interest and other income | 8,804 | 6,831 | 3,355 |
| Interest expense | (257,067) | (208,183) | (177,219) |
| Loss on extinguishment of debt | (935) | (6,171) |) |
| Gain on sales of real estate assets | 14,505 | 53,583 | 29,272 |
| Gain on sale of management contracts | | 21,619 | |
| Equity in earnings of unconsolidated affiliates | 5,295 | 8,495 | 10,308 |
| Income tax provision | (5,902) |) | |
| Minority interest in earnings: | | | |
| Operating Partnership | (70,323) | (112,061) | (85,186) |
| Shopping center properties | (4,136) | (4,879) | (5,365) |
| Income before discontinued operations | 106,344 | 161,662 | 118,640 |
| Operating income of discontinued operations | 2,765 | 895 | 1,626 |
| Gain (loss) on discontinued operations | 8,392 | (82) |) 845 |
| Net income | 117,501 | 162,475 | 121,111 |
| Preferred dividends | (30,568) | (30,568) | (18,309) |
| Net income available to common shareholders | \$ 86,933 | \$ 131,907 | \$ 102,802 |
| Basic per share data: | | | |
| Income before discontinued operations, net of preferred dividends | \$ 1.19 | \$ 2.09 | \$ 1.63 |
| Discontinued operations | 0.17 | 0.01 | 0.04 |
| Net income available to common shareholders | \$ 1.36 | \$ 2.10 | \$ 1.67 |
| Weighted average common shares outstanding | 63,885 | 62,721 | 61,602 |
| Diluted per share data: | | | |
| Income before discontinued operations, net of preferred dividends | \$ 1.16 | \$ 2.02 | \$ 1.57 |
| Discontinued operations | 0.17 | 0.01 | 0.04 |
| Net income available to common shareholders | \$ 1.33 | \$ 2.03 | \$ 1.61 |
| Weighted average common and potential dilutive common shares outstanding | 65,269 | 64,880 | 64,004 |

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Consolidated Statement Of Shareholders Equity

(In thousands, except share data)

| | Accumulated | | | | | | Total |
|---|-------------|--------|----------------------------------|--------------------------|----------------------------------|----------------------|------------|
| | Preferred | Common | Additional Paid-in Capital | Deferred Compensation | Other Comprehensive Income | Retained Earnings | |
| | Stock | Stock | Capital | Compensation | Income | Earnings | Total |
| Balance, December 31, 2003 | \$ 25 | \$ 606 | \$ 817,310 | \$ (1,607) | | \$ 20,966 | \$ 837,300 |
| Net income and total comprehensive income | | | | | | 121,111 | 121,111 |
| Dividends declared - common stock | | | | | | (92,678) | (92,678) |
| Dividends declared - preferred stock | | | | | | (18,304) | (18,304) |
| Issuance of 700,000 shares of Series D preferred stock | 7 | | 169,326 | | | | 169,333 |
| Issuance of 169,962 shares of common stock and restricted common stock | | 2 | 4,526 | (2,129) | | | 2,399 |
| Exercise of stock options | | 14 | 15,254 | | | | 15,268 |
| Accrual under deferred compensation arrangements | | | 776 | | | | 776 |
| Amortization of deferred compensation | | | | 655 | | | 655 |
| Conversion of Operating Partnership units into 525,636 shares of common stock | | 5 | 5,625 | | | | 5,630 |
| Adjustment for minority interest in Operating Partnership | | | 12,661 | | | | 12,661 |
| Balance, December 31, 2004 | 32 | 627 | 1,025,478 | (3,081) | | 31,095 | 1,054,151 |
| Net income | | | | | | 162,475 | 162,475 |
| Unrealized gain on available-for-sale securities | | | | | | 288 | 288 |
| Total comprehensive income | | | | | | | 162,763 |
| Dividends declared - common stock | | | | | | (111,294) | (111,294) |
| Dividends declared - preferred stock | | | | | | (30,568) | (30,568) |
| Additional costs of issuing 700,000 shares of Series D preferred stock | | | (193) | | | | (193) |
| Issuance of 230,041 shares of common stock and restricted common stock | | 2 | 9,011 | (7,896) | | | 1,117 |
| Repurchase of 1,371,034 shares of common stock | | (14) | (54,984) | | | | (54,998) |
| Exercise of stock options | | 8 | 9,733 | | | | 9,741 |
| Accelerated vesting of share-based compensation | | | 480 | 256 | | | 736 |
| Accrual under deferred compensation arrangements | | | 780 | | | | 780 |
| Issuance of stock under deferred compensation arrangement | | 2 | (2) | | | | |
| Amortization of deferred compensation | | | | 1,826 | | | 1,826 |
| Conversion of Operating Partnership units into 52,136 shares of common stock | | | 10,304 | | | | 10,304 |
| Adjustment for minority interest in Operating Partnership | | | 37,157 | | | | 37,157 |
| Balance, December 31, 2005 | 32 | 625 | 1,037,764 | (8,895) | 288 | 51,708 | 1,081,522 |

CBL & Associates Properties, Inc.

Consolidated Statement Of Shareholders Equity

(In thousands, except share data)

(Continued)

| | | | Additional | | Accumulated | | Total |
|---|-----------|--------|--------------|--------------|-------------|-----------|--------------|
| | Preferred | Common | Paid-in | Deferred | Other | Retained | |
| | Stock | Stock | Capital | Compensation | Income | Earnings | |
| Balance, December 31, 2005 - as previously reported | 32 | 625 | 1,037,764 | (8,895) | 288 | 51,708 | 1,081,522 |
| Cumulative effect of adjustments resulting from the adoption of SAB No. 108 | | | 9,696 | | | (7,262) | 2,434 |
| Adjustments for minority interest in Operating Partnership | | | (2,036) | | | | (2,036) |
| Balance, January 1, 2006 as adjusted | 32 | 625 | 1,045,424 | (8,895) | 288 | 44,446 | 1,081,920 |
| Net income | | | | | | 117,501 | 117,501 |
| Realized gain on available-for-sale securities | | | | | | (1,073) | (1,073) |
| Unrealized gain on available-for-sale securities | | | | | | 804 | 804 |
| Total comprehensive income | | | | | | | 117,232 |
| Dividends declared - common stock | | | | | | (121,678) | (121,678) |
| Dividends declared - preferred stock | | | | | | (30,568) | (30,568) |
| Reclassification of deferred compensation upon adoption of SFAS No. 123(R) | | | (8,895) | 8,895 | | | |
| Issuance of 244,472 shares of common stock and restricted common stock | | 2 | 2,721 | | | | 2,723 |
| Cancellation of 34,741 shares of restricted common stock | | | (1,154) | | | | (1,154) |
| Exercise of stock options | | 7 | 8,915 | | | | 8,922 |
| Accrual under deferred compensation arrangements | | | 93 | | | | 93 |
| Amortization of deferred compensation | | | 3,987 | | | | 3,987 |
| Income tax benefit from stock-based compensation | | | 3,181 | | | | 3,181 |
| Conversion of Operating Partnership units into 1,979,644 shares of common stock | | 20 | 21,963 | | | | 21,983 |
| Adjustment for minority interest in Operating Partnership | | | (1,785) | | | | (1,785) |
| Balance, December 31, 2006 | \$ 32 | \$ 654 | \$ 1,074,450 | \$ | \$ 19 | \$ 9,701 | \$ 1,084,856 |

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Consolidated Statements of Cash Flows

(In thousands)

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 117,501 | \$ 162,475 | \$ 121,111 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Minority interest in earnings | 74,459 | 116,940 | 90,551 |
| Depreciation | 141,750 | 133,834 | 100,667 |
| Amortization | 96,111 | 55,381 | 49,162 |
| Net amortization of above and below market leases | (12,581) | (6,434) | (3,515) |
| Amortization of debt premiums | (7,501) | (7,347) | (5,262) |
| Gain on sales of real estate assets | (14,505) | (53,583) | (29,583) |
| Realized gain on available-for-sale securities | (1,073) | | |
| (Gain) loss on discontinued operations | (8,392) | 82 | (845) |
| Gain on sale of management contracts | | (21,619) | |
| Share-based compensation expense | 6,190 | 3,951 | 3,301 |
| Income tax benefit from stock-based compensation | 5,750 | | |
| Equity in earnings of unconsolidated affiliates | (5,295) | (8,495) | (10,308) |
| Distributions of earnings from unconsolidated affiliates | 12,285 | 7,347 | 8,600 |
| Write-off of development projects | 923 | 560 | 3,714 |
| Loss on extinguishment of debt | 935 | 6,171 | |
| Loss on impairment of real estate assets | 480 | 1,334 | 3,080 |
| Changes in assets and liabilities: | | | |
| Tenant and other receivables | (20,083) | (9,879) | (1,678) |
| Other assets | (2,788) | (1,116) | (3,413) |
| Accounts payable and accrued liabilities | 4,745 | 16,496 | 11,907 |
| Net cash provided by operating activities | 388,911 | 396,098 | 337,489 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Additions to real estate assets | (452,383) | (361,285) | (219,383) |
| Acquisitions of real estate assets and other assets | | (426,537) | (587,163) |
| Proceeds from sales of real estate assets | 127,117 | 64,350 | 113,565 |
| Proceeds from sales of available-for-sale securities | 2,507 | | |
| Purchase of available-for-sale securities | (15,464) | | |
| Proceeds from sale of management contracts | | 22,000 | |
| Costs related to sale of management contracts | | (381) | |
| Cash in escrow | | | 78,476 |
| Additions to mortgage notes receivable | (300) | (859) | (9,225) |
| Payments received on mortgage notes receivable | 224 | 13,173 | 17,590 |
| Distributions in excess of equity in earnings of unconsolidated affiliates | 16,852 | 15,523 | 30,616 |
| Additional investments in and advances to unconsolidated affiliates | (18,046) | (27,840) | (27,112) |
| Purchase of minority interests in the Operating Partnership | (3,610) | (2,172) | (5,949) |
| Changes in other assets | (4,136) | (10,652) | (4,307) |
| Net cash used in investing activities | (347,239) | (714,680) | (612,892) |

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CBL & Associates Properties, Inc.**Consolidated Statements of Cash Flows**

(In thousands)

(Continued)

| | Year Ended December 31, | | |
|--|--------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from mortgage and other notes payable | 1,007,073 | 946,825 | 642,743 |
| Principal payments on mortgage and other notes payable | (776,092) | (353,806) | (355,651) |
| Additions to deferred financing costs | (5,588) | (3,407) | (6,029) |
| Prepayment fees to extinguish debt | (557) | (6,524) | |
| Proceeds from issuance of common stock | 361 | 508 | 529 |
| Proceeds from exercise of stock options | 8,922 | 9,741 | 15,268 |
| Income tax benefit from stock-based compensation | (5,750) | | |
| Proceeds from issuance of preferred stock | | | 169,333 |
| Additional costs of preferred stock offerings | | (193) | |
| Repurchase of common stock | (6,706) | (48,292) | |
| Distributions to minority interests | (110,037) | (89,459) | (78,493) |
| Dividends paid to holders of preferred stock | (30,568) | (31,214) | (17,633) |
| Dividends paid to common shareholders | (122,868) | (102,525) | (89,230) |
| Net cash provided by (used in) financing activities | (41,810) | 321,654 | 280,837 |
| Net change in cash and cash equivalents | (138) | 3,072 | 5,434 |
| Cash and cash equivalents, beginning of period | 28,838 | 25,766 | 20,332 |
| Cash and cash equivalents, end of period | \$ 28,700 | \$ 28,838 | \$ 25,766 |

The accompanying notes are an integral part of these statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

NOTE 1. ORGANIZATION

CBL & Associates Properties, Inc. (CBL), a Delaware corporation, is a self-managed, self-administered, fully-integrated real estate investment trust (REIT) that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls and community shopping centers. CBL 's shopping center properties are located in 27 states, but are primarily in the southeastern and midwestern United States.

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the Operating Partnership). As of December 31, 2006, the Operating Partnership owned controlling interests in 72 regional malls, 27 associated centers (each located adjacent to a regional mall), four community centers and CBL 's corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in seven regional malls, four associated centers and one community center. Because major decisions such as the acquisition, sale or refinancing of principal partnership or joint venture assets must be approved by one or more of the other partners, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. At December 31, 2006, the Operating Partnership had seven mall/lifestyle expansions, one open-air shopping center, one open-air shopping center expansion, one associated center and three community centers, one of which is owned in a joint venture, under construction. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At December 31, 2006, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partnership interest in the Operating Partnership and CBL Holdings II, Inc. owned a 54.7% limited partnership interest for a combined interest held by CBL of 56.3%.

The minority interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively CBL 's Predecessor) and by affiliates of The Richard E. Jacobs Group, Inc. (Jacobs). CBL 's Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership acquired the majority of Jacobs ' interests in 23 properties in January 2001 and the balance of such interests in February 2002. At December 31, 2006, CBL 's Predecessor owned a 15.0% limited partnership interest, Jacobs owned a 19.8% limited partnership interest and third parties owned an 8.9% limited partnership interest in the Operating Partnership. CBL 's Predecessor also owned 6.2 million shares of CBL 's common stock at December 31, 2006, for a combined total interest of 20.4% in the Operating Partnership.

The Operating Partnership conducts CBL 's property management and development activities through CBL & Associates Management, Inc. (the Management Company) to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the Code). The Operating Partnership owns 100% of both of the Management Company 's preferred stock and its common stock.

CBL, the Operating Partnership and the Management Company are collectively referred to herein as the Company. All significant intercompany balances and transactions have been eliminated in the consolidated presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESReal Estate Assets

The Company capitalizes predevelopment project costs paid to third parties. All previously capitalized predevelopment costs are expensed when it is no longer probable that the project will be completed. Once development of a project commences, all direct costs incurred to construct the project, including interest and real estate taxes, are capitalized. Additionally, certain general and administrative expenses are allocated to the projects and capitalized based on the amount of time applicable personnel work on the development project. Ordinary repairs and maintenance are expensed as incurred. Major replacements and improvements are capitalized and depreciated over their estimated useful lives.

All acquired real estate assets have been accounted for using the purchase method of accounting and accordingly, the results of operations are included in the consolidated statements of operations from the respective dates of acquisition. The Company allocates the purchase price to (i) tangible assets, consisting of land, buildings and improvements, as if vacant, and tenant improvements, and (ii) identifiable intangible assets and liabilities, generally consisting of above-market leases, in-place leases and tenant relationships, which are included in other assets, and below-market leases, which are included in accounts payable and accrued liabilities. The Company uses estimates of fair value based on estimated cash flows, using appropriate discount rates, and other valuation techniques to allocate the purchase price to the acquired tangible and intangible assets. Liabilities assumed generally consist of mortgage debt on the real estate assets acquired. Assumed debt is recorded at its fair value based on estimated market interest rates at the date of acquisition.

Depreciation is computed on a straight-line basis over estimated lives of 40 years for buildings, 10 to 20 years for certain improvements and 7 to 10 years for equipment and fixtures. Tenant improvements are capitalized and depreciated on a straight-line basis over the term of the related lease. Lease-related intangibles from acquisitions of real estate assets are amortized over the remaining terms of the related leases. The amortization of above- and below-market leases is recorded as an adjustment to minimum rental revenue, while the amortization of all other lease-related intangibles is recorded as amortization expense. Any difference between the face value of the debt assumed and its fair value is amortized to interest expense over the remaining term of the debt using the effective interest method.

The Company's acquired intangibles and their balance sheet classifications as of December 31, 2006 and 2005, are summarized as follows:

| | December 31, 2006 | | December 31, 2005 | |
|---|-------------------|--------------|-------------------|--------------|
| | Accumulated | | Accumulated | |
| | Cost | Amortization | Cost | Amortization |
| Other assets: | | | | |
| Above-market leases | \$ 40,509 | \$ (11,579) | \$ 42,026 | \$ (4,921) |
| In-place leases | 69,615 | (28,941) | 72,584 | (14,992) |
| Tenant relationships | 49,796 | (2,320) | 49,796 | (53) |
| Accounts payable and accrued liabilities: | | | | |
| Below-market leases | 86,736 | (31,386) | 91,148 | (14,816) |

The total net amortization expense of the above acquired intangibles for the next five succeeding years will be \$3,981 in 2007, \$3,888 in 2008, \$2,689 in 2009, \$2,628 in 2010 and \$2,163 in 2011.

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Total interest expense capitalized was \$11,504, \$8,385 and \$4,517 in 2006, 2005 and 2004, respectively.

Carrying Value of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when its estimated future undiscounted cash flows are less than its carrying value. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations.

During 2006, the Company recognized a loss of \$274 on the sale of two community centers and a loss of \$206 on the sale of land. The aggregate loss of \$480 was recorded as a loss on impairment of real estate assets.

The Company determined that two community centers met the criteria to be reflected as held for sale as of December 31, 2005 and recognized a loss on impairment of \$1,029.

In January 2005, the Company completed the third phase of the Galileo America joint venture transaction discussed in Note 5. The Company recognized a loss of \$1,947 on this transaction as an impairment of real estate assets in 2004 and reduced the carrying value of the related assets, which were classified as real estate assets held for sale as of December 31, 2004. The Company recognized an additional impairment loss of \$262 in the first quarter of 2005 related to these centers when certain estimated amounts were adjusted when the actual amounts became known.

During 2004, the Company recognized a loss of \$114 on the sale of one community center as a loss on impairment of real estate assets.

During 2004, the Company determined that the carrying value of a vacant community center exceeded the community center's estimated fair value by \$402. The Company recorded the reduction in the carrying value of the related real estate assets to their estimated fair value as a loss on impairment of real estate assets. The Company sold this community center in October 2005 and recognized an additional impairment of \$43.

In January 2005, the Company made the decision to sell five community centers and, as a result, recognized an aggregate loss on impairment of real estate assets of \$617 on these community centers in 2004 to reduce the carrying values of these centers to their estimated fair values based on their selling prices.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less as cash equivalents.

Restricted Cash

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Restricted cash of \$34,814 and \$34,448 was included in other assets at December 31, 2006 and 2005, respectively. Restricted cash consists primarily of cash held in escrow accounts for debt service, insurance, real estate taxes, capital improvements and deferred maintenance as required by the terms of certain mortgage notes payable, as well as contributions from tenants to be used for future marketing activities.

Joint Ventures

Initial investments in joint ventures that are in economic substance a capital contribution to the joint venture are recorded in an amount equal to the Company's historical carryover basis in the real estate contributed. Initial investments in joint ventures that are in economic substance the sale of a portion of the Company's interest in the real estate are accounted for as a contribution of real estate recorded in an amount equal to the Company's historical carryover basis in the ownership percentage retained and as a sale of real estate with profit recognized to the extent of the other joint venturers' interests in the joint venture. Profit recognition assumes the Company has no commitment to reinvest with respect to the percentage of the real estate sold and the accounting requirements of the full accrual method under Statement of Financial Accounting Standards (SFAS) No. 66, *Accounting for Sales of Real Estate*, are met.

The Company accounts for its investment in joint ventures where it owns a non-controlling interest or where it is not the primary beneficiary of a variable interest entity using the equity method of accounting. Under the equity method, the Company's cost of investment is adjusted for its share of equity in the earnings of the unconsolidated affiliate and reduced by distributions received. Generally, distributions of cash flows from operations and capital events are first made to partners to pay cumulative unpaid preferences on unreturned capital balances and then to the partners in accordance with the terms of the joint venture agreements.

Any differences between the cost of the Company's investment in an unconsolidated affiliate and its underlying equity as reflected in the unconsolidated affiliate's financial statements generally result from costs of the Company's investment that are not reflected on the unconsolidated affiliate's financial statements, capitalized interest on its investment and the Company's share of development and leasing fees that are paid by the unconsolidated affiliate to the Company for development and leasing services provided to the unconsolidated affiliate during any development periods. At December 31, 2006 and 2005, the net difference between the Company's investment in unconsolidated affiliates and the underlying equity of unconsolidated affiliates was \$1,587 and \$4,323, respectively, which is generally amortized over a period of 40 years.

Deferred Financing Costs

Net deferred financing costs of \$11,881 and \$10,849 were included in other assets at December 31, 2006 and 2005, respectively. Deferred financing costs include fees and costs incurred to obtain financing and are amortized on a straight-line basis to interest expense over the terms of the related notes payable. Amortization expense was \$4,178, \$5,031, and \$4,390 in 2006, 2005 and 2004, respectively. Accumulated amortization was \$10,385 and \$11,532 as of December 31, 2006 and 2005, respectively.

Marketable Securities

Other assets include marketable securities consisting of corporate equity securities that are classified as available for sale. Unrealized gains and losses on available-for-sale securities are recorded as a component of accumulated other comprehensive income in shareholders' equity. Realized gains and losses and declines in value that are other than temporary are included in other income. Gains or losses on securities sold are based on the specific identification method. The following is a summary of the equity securities held by the Company as of December 31, 2006 and 2005:

| | Cost | Gross Unrealized Gains | Losses | Fair Value |
|-------------------|-----------|---------------------------|---------|------------|
| December 31, 2006 | \$ 16,597 | \$ 24 | \$ (4) | \$ 16,617 |
| December 31, 2005 | 1,332 | 289 | | 1,621 |

Revenue Recognition

Minimum rental revenue from operating leases is recognized on a straight-line basis over the initial terms of the related leases. Certain tenants are required to pay percentage rent if their sales volumes exceed thresholds specified in their lease agreements. Percentage rent is recognized as revenue when the thresholds are achieved and the amounts become determinable.

The Company receives reimbursements from tenants for real estate taxes, insurance, common area maintenance, and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized as revenue in the period the related operating expenses are incurred. Tenant reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 15 years and are recognized as revenue when billed.

The Company receives management, leasing and development fees from third parties and unconsolidated affiliates. Management fees are charged as a percentage of revenues (as defined in the management agreement) and are recognized as revenue when earned. Development fees are recognized as revenue on a pro rata basis over the development period. Leasing fees are charged for newly executed leases and lease renewals and are recognized as revenue when earned. Development and leasing fees received from unconsolidated affiliates during the development period are recognized as revenue only to the extent of the third-party partners' ownership interest. Development and leasing fees during the development period to the extent of the Company's ownership interest are recorded as a reduction to the Company's investment in the unconsolidated affiliate.

Gain on Sales of Real Estate Assets

Gains on sales of real estate assets are recognized when it is determined that the sale has been consummated, the buyer's initial and continuing investment is adequate, the Company's receivable, if any, is not subject to future subordination, and the buyer has assumed the usual risks and rewards of ownership of the asset. When the Company has an ownership interest in the buyer, gain is recognized to the extent of the third party partner's ownership interest and the portion of the gain attributable to the Company's ownership interest is deferred.

Income Taxes

The Company is qualified as a REIT under the provisions of the Code. To maintain qualification as a REIT, the Company is required to distribute at least 90% of its taxable income to shareholders and meet certain other requirements.

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State income taxes were not material in 2006, 2005 and 2004.

The Company has also elected taxable REIT subsidiary status for some of its subsidiaries. This enables the Company to receive income and provide services that would otherwise be impermissible for REITs. For these entities, deferred tax assets and liabilities are established for

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temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance that results from the change in circumstances that

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causes a change in our judgment about the realizability of the related deferred tax asset is included in income. The Company recorded an income tax provision of \$5,902, \$0 and \$0 in 2006, 2005 and 2004, respectively. The income tax provision in 2006 consisted of a current income tax provision of \$5,751 and a deferred income tax provision of \$151.

The Company had a net deferred tax asset of \$4,291 and \$4,442 at December 31, 2006 and 2005, respectively. The net deferred tax asset at December 31, 2006 primarily consisted of operating expense accruals and differences between book and tax depreciation. The Company had recorded a valuation allowance to reduce the net deferred tax asset at December 31, 2005 to zero.

Concentration of Credit Risk

The Company's tenants include national, regional and local retailers. Financial instruments that subject the Company to concentrations of credit risk consist primarily of tenant receivables. The Company generally does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of tenants.

The Company derives a substantial portion of its rental income from various national and regional retail companies; however, no single tenant collectively accounted for more than 10.0% of the Company's total revenues in 2006, 2005 and 2004.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income available to common shareholders by the weighted average number of unrestricted common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their minority interest in the Operating Partnership into shares of common stock are not dilutive (Note 9). The following summarizes the impact of potential dilutive common shares on the denominator used to compute earnings per share:

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| Weighted average common shares | 64,225 | 63,004 | 61,878 |
| Effect of nonvested stock awards | (340) | (283) | (276) |
| Denominator - basic earnings per share | 63,885 | 62,721 | 61,602 |
| Dilutive effect of: | | | |
| Stock options | 1,189 | 1,741 | 1,970 |
| Nonvested stock awards | 138 | 223 | 232 |
| Deemed shares related to deferred compensation arrangements | 57 | 195 | 200 |
| Denominator - diluted earnings per share | 65,269 | 64,880 | 64,004 |

Comprehensive Income

Comprehensive income includes all changes in shareholders' equity during the period, except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income for all periods presented represents unrealized gains (losses) on available for sale securities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

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date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In June 2005, the Financial Accounting Standards Board (FASB) issued Emerging Issues Task Force (EITF) Issue No. ~~04-5~~ *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. EITF Issue No. 04-5 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-5 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships were required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-5 did not result in any changes to the manner in which the Company accounts for its joint ventures.

In June 2005, the FASB issued FSP 78-9-1, *Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5*. The EITF acknowledged that the consensus in EITF Issue No. 04-5 conflicts with certain aspects of Statement of Position (SOP) 78-9, *Accounting for Investments in Real Estate Ventures*. The EITF agreed that the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-5. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-5. The adoption of FSP 78-9-1 did not result in any changes to the manner in which the Company accounts for its joint ventures.

On July 13, 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No.109, *Accounting for Income Taxes*, by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The transition adjustment, which is measured as the difference between the carrying amount and the fair value of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which SFAS No. 157 is initially applied. The Company will adopt the provisions of SFAS No. 157 on January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 requires companies to evaluate the materiality of identified unadjusted errors on each financial statement and related financial statement disclosure using both the rollover approach and the iron curtain approach, as those terms are defined in SAB No. 108. The rollover approach quantifies misstatements based on the amount of the error in the

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current year financial statements, whereas the iron curtain approach quantifies misstatements based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origin. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. If a company determines that an adjustment to prior year financial statements is required upon adoption of SAB No. 108 and does not elect to restate its previous financial statements, then it must recognize the cumulative effect of applying SAB No. 108 in fiscal 2006 beginning balances of the affected assets and liabilities with a corresponding adjustment to the fiscal 2006 opening balance in retained earnings. SAB No. 108 is effective for interim periods of the first fiscal year ending after November 15, 2006. The Company adopted SAB No. 108 on December 31, 2006 and, in accordance with the initial application provisions of SAB No. 108, adjusted retained earnings as of January 1, 2006. This adjustment was considered to be immaterial individually and in the aggregate in prior years based on the Company's historical method of assessing materiality. See Note 20 for further discussion.

Reclassifications

Certain amounts in the 2005 and 2004 consolidated financial statements have been reclassified to conform to the current year presentation, including reclassifications of prior year amounts related to discontinued operations (see Note 4).

NOTE 3. ACQUISITIONS

The Company includes the results of operations of real estate assets acquired in the consolidated statements of operations from the date of the related acquisition.

The Company did not complete any acquisitions in 2006.

2005 Acquisitions

Effective June 1, 2005, the Company acquired a 70% interest in Laurel Park Place, a regional mall in Livonia, MI, for a purchase price of \$80,363. The purchase price consisted of \$2,828 in cash, the assumption of \$50,654 of non-recourse debt that bears interest at a stated rate of 8.50% and matures in December 2012 and the issuance of 571,700 Series L special common units (the "L-SCUs") in the Operating Partnership with a fair value of \$26,881. The Company recorded a debt premium of \$10,552, computed using an estimated market interest rate of 5.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition. The terms of the L-SCUs are described in Note 9.

The Company may elect to acquire the remaining 30% ownership interest in Laurel Park Place, or a portion thereof, at any time following the acquisition date for a purchase price of \$14,000, which will be paid either through the issuance of common units of limited partnership interest in the Operating Partnership or with cash, at the Company's election. If the Company exercises its right to acquire the remaining 30% interest, or a portion thereof, prior to December 2012 through the issuance of common units, the common units issued will not be entitled to receive distributions until after December 2012. If the Company does not exercise its right to acquire the remaining 30% interest by December 2012, then the partner owning that interest will thereafter receive a preferred return equal to the greater of 12% or the 10-year treasury rate plus 800 basis points on the portion of its joint venture interest that has not yet been acquired by the Company. The Company receives all of the profits and losses of Laurel Park Place and is responsible for all of its debt. The \$14,000 value of the minority partner's interest has been recorded in Accounts Payable and Accrued Liabilities.

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On July 14, 2005, the Company acquired The Mall of Acadiana, a super-regional mall in Lafayette, LA, for a cash purchase price, including transaction costs, of \$175,204. The Company also entered into 10-year lease agreements for 13.4 acres of land adjacent to The Mall of Acadiana, which provide the Company the right to purchase the land for a cash purchase price of \$3,327 during the first year of the lease term, \$3,510 during the second year and amounts increasing by 10% per year for each year of the lease term thereafter. After the first year, the seller may put the land to the Company for a price equal to the amounts set forth in the previous sentence. The Company also obtained a ten-year option to acquire another adjacent 14.9 acre tract of land for a cash purchase price of \$3,245 during the first six months of the option, which increases to \$3,407 during the second six months of the option and to \$3,570 during the remaining nine years of the option. The Company acquired the 13.4 acre tract of land in 2006.

On November 7, 2005, the Company acquired Layton Hills Mall in Salt Lake City, UT, for a cash purchase price, including transaction costs, of \$120,926. The Company funded a portion of the purchase price with a new, short-term loan of \$102,850 that bore interest at the London Interbank Offered Rate (LIBOR) plus 95 basis points. The Company retired this loan in May 2006.

On November 16, 2005, the Company acquired Oak Park Mall in Overland, KS, Hickory Point Mall in Forsyth, IL, and Eastland Mall in Bloomington, IL, for a purchase price, including transaction costs, of \$508,180, which consisted of \$127,111 in cash, the assumption of \$335,100 of interest-only, non-recourse loans that bear interest at a stated rate of 5.85% and mature in November 2015 and the issuance of 1,144,924 Series K special common units (the K-SCUs) of limited partnership interest in the Operating Partnership with a fair value of \$45,969. The Company funded part of the cash portion of the purchase price with a new, non-recourse loan of \$33,150 that bears interest at 5.85% and matures in November 2015. The terms of the K-SCUs are described in Note 9.

The results of operations of the acquired properties have been included in the consolidated financial statements since their respective dates of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the respective acquisition dates during the year ended December 31, 2005:

| | | |
|--|------------|---|
| Land | \$ 95,863 | |
| Buildings and improvements | 763,523 | |
| Above-market leases | 30,759 | |
| Tenant relationships | 49,796 | |
| In-place leases | 24,021 | |
| Total assets | 963,962 | |
| Mortgage note payables assumed | (385,754 |) |
| Premiums on mortgage note payables assumed | (10,552 |) |
| Below-market leases | (54,263 |) |
| Other long-term liabilities | (14,474 |) |
| Net assets acquired | \$ 498,919 | |

The following unaudited pro forma financial information is for the years ended December 31, 2005 and 2004. It presents the results of the Company as if each of the 2005 acquisitions had occurred on January 1, 2004. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2004. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the years ended December 31, 2005 and 2004 are as follows:

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| | 2005 | 2004 |
|---|-------------------|-------------|
| Total revenues | \$ 971,647 | \$ 867,658 |
| Total expenses | (549,938) | (499,451) |
| Income from operations | \$ 421,709 | \$ 368,207 |
| Income before discontinued operations | \$ 153,319 | \$ 108,987 |
| Net income available to common shareholders | \$ 123,526 | \$ 93,149 |
| Basic per share data: | | |
| Income before discontinued operations, net of preferred dividends | \$ 1.96 | \$ 1.47 |
| Net income available to common shareholders | \$ 1.96 | \$ 1.51 |
| Diluted per share data: | | |
| Income before discontinued operations, net of preferred dividends | \$ 1.89 | \$ 1.42 |
| Net income available to common shareholders | \$ 1.90 | \$ 1.46 |

2004 Acquisitions

On March 12, 2004, the Company acquired Honey Creek Mall in Terre Haute, IN, for a purchase price, including transaction costs, of \$83,114, which consisted of \$50,114 in cash and the assumption of \$33,000 of non-recourse debt that bears interest at a stated rate of 6.95% and matures in May 2009. The Company recorded a debt premium of \$3,146, computed using an estimated market interest rate of 4.75%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On March 12, 2004, the Company acquired Volusia Mall in Daytona Beach, FL, for a purchase price, including transaction costs, of \$118,493, which consisted of \$63,686 in cash and the assumption of \$54,807 of non-recourse debt that bears interest at a stated rate of 6.70% and matures in March 2009. The Company recorded a debt premium of \$4,615, computed using an estimated market interest rate of 4.75%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On April 8, 2004, the Company acquired Greenbrier Mall in Chesapeake, VA, for a cash purchase price, including transaction costs, of \$107,450. The purchase price was partially financed with a new recourse term loan of \$92,650 that bore interest at LIBOR plus 100 basis points. The Company retired this loan in July 2006.

On April 21, 2004, the Company acquired Fashion Square, a community center in Orange Park, FL, for a cash purchase price, including transaction costs, of \$3,961.

On May 20, 2004, the Company acquired Chapel Hill Mall and its associated center, Chapel Hill Suburban, in Akron, OH, for a cash purchase price, including transaction costs, of \$78,252. The purchase price was partially financed with a new recourse term loan of \$66,500 that bore interest at LIBOR plus 100 basis points. The Company retired this loan in July 2006.

On June 22, 2004, the Company acquired Park Plaza Mall in Little Rock, AR, for a purchase price, including transaction costs, of \$77,526, which consisted of \$36,213 in cash and the assumption of \$41,313 of non-recourse debt that bears interest at a stated rate of 8.69% and matures in May 2010. The Company recorded a debt premium of \$7,737, computed using an estimated market interest rate of 4.90%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On July 28, 2004, the Company acquired Monroeville Mall, and its associated center, the Annex, in the eastern Pittsburgh suburb of Monroeville, PA, for a total purchase price, including transaction costs, of \$231,621, which consisted of \$39,455 in cash, the assumption of

\$134,004 of non-recourse debt

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that bears interest at a stated rate of 5.73% and matures in January 2013, an obligation of \$11,950 to pay for the fee interest in the land underlying the mall and associated center on or before July 28, 2007, and the issuance of 780,470 Series S Special Common Units (the S-SCUs) in the Operating Partnership with a fair value of \$46,212. The Company recorded a debt premium of \$3,270, computed using an estimated market interest rate of 5.30%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On November 22, 2004, the Company acquired Mall del Norte in Laredo, TX, for a cash purchase price, including transaction costs, of \$170,413. The purchase price was partially financed with a new non-recourse, interest-only loan of \$113,400 that bears interest at 5.04% and matures in December 2014.

On November 22, 2004, the Company acquired Northpark Mall in Joplin, MO, for a purchase price, including transaction costs, of \$79,141. The purchase price consisted of \$37,619 in cash and the assumption of \$41,522 of non-recourse debt that bears interest at a stated rate of 5.75% and matures in March 2014. The Company recorded a debt premium of \$687, computed using an estimated market interest rate of 5.50%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

The results of operations of the acquired properties have been included in the consolidated financial statements since their respective dates of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the respective acquisition dates during the year ended December 31, 2004:

| | |
|--|------------|
| Land | \$ 81,673 |
| Buildings and improvements | 872,855 |
| Above-market leases | 8,329 |
| In-place leases | 33,921 |
| Total assets | 996,778 |
| Mortgage note payables assumed | (304,646) |
| Premiums on mortgage note payables assumed | (19,455) |
| Below-market leases | (27,352) |
| Land purchase obligation | (11,950) |
| Net assets acquired | \$ 633,375 |

The following unaudited pro forma financial information is for the year ended December 31, 2004. It presents the results of the Company as if each of the 2004 acquisitions had occurred on January 1, 2004. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2004. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the year ended December 31, 2004 are as follows:

| | |
|---|------------|
| Total revenues | \$ 836,672 |
| Total expenses | (470,833) |
| Income from operations | \$ 365,839 |
| Income before discontinued operations | \$ 120,881 |
| Net income available to common shareholders | \$ 105,043 |
| Basic per share data: | |
| Income before discontinued operations, net of preferred dividends | \$ 1.67 |
| Net income available to common shareholders | \$ 1.71 |
| Diluted per share data: | |
| Income before discontinued operations, net of preferred dividends | \$ 1.60 |
| Net income available to common shareholders | \$ 1.64 |

NOTE 4. DISCONTINUED OPERATIONS

During May 2006, the Company sold three community centers for an aggregate sales price of \$42,280 and recognized a gain of \$7,215. The Company also sold two community centers in May 2006 for an aggregate sales price of \$63,000 and recognized a loss on impairment of real estate assets of \$274.

All five of these community centers were sold to Galileo America LLC (Galileo America) in connection with a put right the Company had previously entered into with Galileo America. The Company, as tenant, entered into separate master lease agreements with Galileo America, as landlord, covering a total of three spaces in the properties sold to Galileo America. Under each master lease agreement, the Company is obligated to pay Galileo America an agreed-upon minimum annual rent, plus a pro rata share of common area maintenance expenses and real estate taxes, for each designated space for a term of two years from the closing date. The Company had a liability of \$252 at December 31, 2006 for the amounts to be paid over the remaining terms of the master lease obligations. To the extent the Company is relieved of its obligations under the master lease agreements as a result of leasing the spaces to third parties, the Company will recognize additional gain on sale of real estate assets.

During 2005, the Company sold six community centers for an aggregate sales price of \$12,600. The Company previously recognized an aggregate loss on impairment of real estate assets of \$617 on these community centers in 2004. Additionally, the Company determined that two community centers met the criteria to be reflected as held for sale as of December 31, 2005 and recognized a loss on impairment of \$1,029.

During 2004, the Company sold three community centers for a total sales price \$7,250 and recognized a total gain of \$845 on two of the community centers that is recorded as gain on discontinued operations. The Company recognized a loss of \$114 in December 2004 on one of the community centers, which is included in loss on impairment of real estate assets in the consolidated statement of operations.

Total revenues of the centers described above that are included in discontinued operations were \$4,934, \$4,796 and \$3,004 in 2006, 2005 and 2004, respectively. All periods presented have been adjusted to reflect the operations of the centers described above as discontinued operations.

NOTE 5. JOINT VENTURESUnconsolidated Affiliates

At December 31, 2006, the Company had investments in the following 14 partnerships and joint ventures, which are accounted for using the equity method of accounting:

| Joint Venture | Property Name | Company's | |
|---------------------------|----------------------|-----------|---|
| | | Interest | |
| Governor's Square IB | Governor's Plaza | 50.00 | % |
| Governor's Square Company | Governor's Square | 47.50 | % |
| High Pointe Commons, LP | High Pointe Commons | 50.00 | % |
| Imperial Valley Mall L.P. | Imperial Valley Mall | 60.00 | % |

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| | | | |
|---------------------------------|------------------------------------|-------|---|
| Imperial Valley Peripheral L.P. | Imperial Valley Mall (vacant land) | 60.00 | % |
| Imperial Valley Commons L.P. | Imperial Valley Commons | 60.00 | % |
| Kentucky Oaks Mall Company | Kentucky Oaks Mall | 50.00 | % |

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| Joint Venture | Property Name | Company's | |
|---------------------------------------|---|-----------|---|
| | | Interest | % |
| Mall of South Carolina L.P. | Coastal Grand Myrtle Beach | 50.00 | % |
| Mall of South Carolina Outparcel L.P. | Coastal Grand Myrtle Beach (vacant land) | 50.00 | % |
| Mall Shopping Center Company | Plaza del Sol | 50.60 | % |
| N. Dalton Bypass, LLC | Hammond Creek Commons | 51.00 | % |
| Parkway Place L.P. | Parkway Place | 45.00 | % |
| Triangle Town Member LLC | Triangle Town Center, Triangle Town Commons and Triangle Town Place | 50.00 | % |
| York Town Center, LP | York Town Center | 50.00 | % |

Condensed combined financial statement information of the unconsolidated affiliates is presented as follows:

| | December 31, | |
|--------------------------------------|--------------|------------|
| | 2006 | 2005 |
| ASSETS: | | |
| Net investment in real estate assets | \$ 588,300 | \$ 586,715 |
| Other assets | 37,047 | 37,759 |
| Total assets | \$ 625,347 | \$ 624,474 |
| LIABILITIES: | | |
| Mortgage and other notes payable | \$ 489,811 | \$ 474,773 |
| Other liabilities | 18,526 | 17,270 |
| Total liabilities | 508,337 | 492,043 |
| OWNERS' EQUITY | | |
| The Company | 80,413 | 88,461 |
| Other investors | 36,597 | 43,970 |
| Total owners' equity | 117,010 | 132,431 |
| Total liabilities and owners' equity | \$ 625,347 | \$ 624,474 |

| | Year Ended December 31, | | |
|-------------------------------------|-------------------------|------------|------------|
| | 2006 | 2005 | 2004 |
| Total revenues | \$ 94,785 | \$ 118,823 | \$ 109,696 |
| Depreciation and amortization | (26,488) | (30,273) | (24,994) |
| Other operating expenses | (28,514) | (32,738) | (27,479) |
| Income from operations | 39,783 | 55,812 | 57,223 |
| Interest income | 176 | 246 | 138 |
| Interest expense | (34,731) | (35,083) | (27,353) |
| Gain on sales of real estate assets | 5,244 | 6,717 | 4,555 |
| Discontinued operations | | 55 | 1,945 |
| Net income | \$ 10,472 | \$ 27,747 | \$ 36,508 |

All debt on these properties is non-recourse. See Note 16 for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

In December 2006, Kentucky Oaks Mall Company obtained a ten-year, non-recourse mortgage note payable of \$30,000 that has a fixed interest rate of 5.27% and matures in January 2017. The net proceeds were used to retire the outstanding borrowings of \$29,684 under the previous mortgage loan.

In September 2004, Mall of South Carolina L.P. obtained a long-term, non-recourse, fixed-rate mortgage loan totaling \$118,000. The loan is comprised of a \$100,000 A-note to a financial institution that bears interest at 5.09%, which matures in September 2014, and two 10-year B-notes of \$9,000 each that bear interest at 7.75% and mature in September 2014. The Company and its third party partner in Mall of South Carolina L.P. each hold one of the B-notes. The total net proceeds from these loans were

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used to retire \$80,493 of outstanding borrowings under the construction loan that partially financed the development of Coastal Grand-Myrtle Beach.

In September 2005, Imperial Valley Mall L.P. obtained a ten-year, non-recourse mortgage note payable of \$60,000 that has a fixed interest rate of 4.985% and matures in September 2015. The proceeds of the loan were used to retire the outstanding borrowings of \$58,265 under the construction loan that was incurred to develop Imperial Valley Mall.

On November 16, 2005, the Company formed a 50/50 joint venture with Jacobs to own Triangle Town Center and its associated and lifestyle centers, Triangle Town Place and Triangle Town Commons, in Raleigh, NC. The Company assumed management, leasing and any future development responsibilities of the properties.

Jacobs' initial contribution consisted of the three shopping centers and the Company made an initial cash contribution of \$1,560. Concurrent with its formation, the joint venture entered into a new ten-year, fixed rate non-recourse loan of \$200,000, secured by the collective centers. The proceeds from the loan were used to retire an existing construction loan totaling \$121,828 and the balance was paid to Jacobs as a partial return of Jacobs' equity. The joint venture equity will be equalized between Jacobs and the Company through future contributions by the Company and through property cash flow distributions.

Under the terms of the joint venture agreement, the Company is required to fund any additional equity necessary for capital expenditures, including future development or expansion of the property, and any operating deficits of the joint venture. The Company has guaranteed funding of such items up to a maximum of \$50,000. The joint venture's profits are allocated 50/50 to Jacobs and the Company. The Company receives a preferred return on its invested capital in the joint venture and will, after payment of such preferred return and repayment of the Company's invested capital, and repayment of the balance of Jacobs' equity, share equally with Jacobs in the joint venture's cash flows.

Galileo America Joint Venture

On September 24, 2003, the Company formed Galileo America, a joint venture with Galileo America, Inc., the U.S. affiliate of Australia-based Galileo America Shopping Trust, to invest in community centers throughout the United States. The arrangement provided for the Company to sell, in three phases, its interests in 51 community centers for a total price of \$516,000 plus a 10% interest in Galileo America.

The first phase of the transaction closed on October 23, 2003, when the Company sold its interests in 41 community centers to Galileo America for \$393,925, which consisted of \$250,705 in cash, the retirement of \$24,922 of debt on one of the community centers, a note receivable of \$4,813, Galileo America's assumption of \$93,037 in debt and \$20,448 representing the Company's 10% interest in Galileo America. The Company used the net proceeds to fund escrow amounts used in like-kind exchange acquisitions and to reduce outstanding borrowings under the Company's credit facilities. The Company recognized a gain of \$71,886 from the first phase and recorded its investment in Galileo America at the carryover basis of the real estate assets contributed for its 10% interest. The note receivable was paid subsequent to December 31, 2003.

The second phase of the Galileo America transaction closed on January 5, 2004, when the Company sold its interest in six community centers for \$92,375, which consisted of \$62,687 in cash, the retirement of \$25,953 of debt on one of the community centers, the joint venture's assumption of \$2,816 of debt and closing costs of \$919. The real estate assets and related mortgage notes payable of the properties in the second phase were reflected as held for sale from October 23, 2003, the date that it was determined these assets met the criteria to be reflected as held for sale. There was no depreciation expense recorded on these assets subsequent to October 23, 2003.

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The Company sold a community center expansion to Galileo America during September 2004 for \$3,447 in cash. The Company recognized gain of \$1,316 to the extent of the third party partner's ownership interest and recorded an investment of \$147 in Galileo America at the carryover basis of the real estate assets contributed for its 10% interest.

In October 2004, the Company sold its interests in one community center to Galileo America for a purchase price of \$17,900, which consisted of \$2,900 in cash, Galileo America's assumption of \$10,500 of debt and a limited partnership interest in Galileo America, Inc. The community center was originally scheduled to be included in the third phase of the transaction that closed in January 2005. The Company recognized a gain of \$2,840 on the sale of this property and recorded an investment of \$3,820 in Galileo America at the carryover basis of the real estate assets contributed for its 10% interest in this property.

The third phase of the joint venture closed on January 5, 2005, when the Company sold its interests in two power centers, one community center and one community center expansion to Galileo America for \$58,600, which consisted of \$42,529 in cash, the joint venture's assumption of \$12,141 of debt, \$3,596 representing the Company's interest in Galileo America and closing costs of \$334. The real estate assets and related mortgage notes payable of the properties in the third phase were reflected as held for sale as of January 1, 2004, the date that it was determined these assets met the criteria to be reflected as held for sale. The Company did not record any depreciation expense on these assets during 2004. The Company recognized a loss on impairment of real estate assets of \$1,947 in December 2004 and an additional loss on impairment of real estate assets of \$262 during the year ended December 31, 2005 related to the properties included in the third phase.

The Company, as tenant, entered into separate master lease agreements with Galileo America, as landlord, covering certain spaces in certain of the properties sold to the joint venture. Under each master lease agreement, the Company was obligated to pay Galileo America an agreed-upon minimum annual rent, plus a pro rata share of common area maintenance expenses and real estate taxes, for each designated space for a term of five years from the applicable property's closing date. Two properties in the first phase and one in the second phase were subject to master lease agreements. During 2005 and 2004, the Company recognized gain of \$2,505 and \$7,206, respectively, as a result of being relieved of its obligation under the master lease arrangements as spaces were leased to third parties.

The Company also received \$8,000 of additional contingent consideration since, as the exclusive manager of the properties, it achieved certain leasing objectives related to spaces that were vacant, or projected to soon be vacant, at the time the first phase closed. The Company earned \$4,167 in 2004 for leasing objectives that were met during 2004, of which \$3,750 was recognized as gain on sales of real estate assets and \$417, representing the portion attributable to the Company's ownership interest, was recorded as a reduction of the Company's investment in Galileo America.

On August 10, 2005, the Company transferred all of its 8.4% ownership interest in Galileo America to Galileo America in exchange for Galileo America's interest in two community centers: Springdale Center in Mobile, AL, and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA. The two properties had a fair value of \$60,000. The Company recognized a gain of \$42,022, in accordance with SFAS No. 153, on the redemption of its interest in Galileo America, which represents the excess of the fair value of the two properties over the carrying amount of the Company's investment in Galileo America of \$17,978. The Company had the right to put the two properties to Galileo America for \$60,000 in cash at any time for one year following the redemption, as well as additional property at Springdale Center that the Company held in a ground lease for \$3,000 in cash. As discussed in Note 4, the Company exercised its put right and sold these properties to Galileo America in May 2006. The Company also entered into an agreement to provide advisory services to Galileo America for a period of three years in exchange for \$1,000 per year. The Company recorded a loss on impairment during 2005 related to these properties, which is discussed in Note 4.

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The Company sold its management and advisory contracts with Galileo America to New Plan Excel Realty Trust, Inc. (New Plan) for \$22,000 in cash and, after reductions for closing costs, recognized a gain of \$21,619 during 2005. The Company also transferred its remaining obligations of \$3,818 under the master lease agreement to New Plan by paying New Plan a cash payment of \$1,925. The Company recognized a gain of \$1,893 during 2005 as a result of the settlement of the remaining master lease liability.

New Plan retained the Company to manage nine properties that Galileo America had recently acquired from a third party for a term of 17 years beginning on the third anniversary of the closing and will pay the Company a management fee of \$1,000 per year. At any time after November 22, 2007, New Plan may terminate the agreement by paying the Company a termination fee of \$7,000. The Company will recognize management fee income beginning on the third anniversary of the closing as it provides services under the management contract. If and when New Plan should terminate the management agreement with the Company, the Company will recognize the \$7,000 termination fee as gain.

Separately, Galileo America entered into an agreement to acquire New Plan's interest in a portfolio of properties. Under the terms of its agreement with Galileo America, the Company received an acquisition fee of \$8,000 related to that transaction, which was recognized as management fee revenues during 2005.

As a result of the disposition of its ownership interest in Galileo America and the sale of the related management and advisory contracts, the Company recorded additional compensation expense of \$1,301 in 2005 related to the severance of affected personnel, including \$736 related to the accelerated vesting of stock-based compensation awards for certain of the affected personnel.

Variable Interest Entities

The Company has a 10% ownership interest and is the primary beneficiary in a joint venture that owns and operates Willowbrook Plaza in Houston, TX, Massard Crossing in Ft. Smith, AR and Pemberton Plaza in Vicksburg, MS. At December 31, 2006 and 2005, this joint venture had total assets of \$54,516 and \$56,101, respectively, and a mortgage note payable of \$36,987 and \$37,407, respectively.

In April 2005, the Company formed a joint venture with Jacobs to develop Gulf Coast Town Center in Lee County (Ft. Myers/Naples), Florida. Under the terms of the joint venture agreement, the Company initially contributed \$40,335 for a 50% interest in the joint venture, the proceeds of which were used to refund the aggregate acquisition and development costs incurred with respect to the project that were previously paid by Jacobs. The Company must also provide any additional equity necessary to fund the development of the property, as well as to fund up to an aggregate of \$30,000 of operating deficits of the joint venture. The Company receives a preferred return of 11% on its invested capital in the joint venture and will, after payment of such preferred return and repayment of the Company's invested capital, share equally with Jacobs in the joint venture's profits.

The joint venture arrangement provides the Company with the right to put its 50% ownership interest to Jacobs if certain approvals of tenants and government entities that are required for the continued development of the project are not obtained by the second anniversary of the joint venture agreement. The put right provides that Jacobs will acquire the Company's 50% ownership interest for an amount equal to the total unreturned equity funded by the Company plus any accrued and unpaid preferred return on that equity.

The Company determined that the joint venture is a variable interest entity in which it is the primary beneficiary in accordance with FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* and has consolidated this joint venture. At December 31, 2006 and 2005,

this joint

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venture had total assets of \$153,022 and \$73,885, respectively, and recourse construction loans of \$124,058 and \$42,020, respectively.

In October 2006, the Company entered into a loan agreement with a third party under which the Company will loan the third party up to \$18,000 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The loan agreement provides that the Company may convert the loan to a 50% ownership interest in the third party at anytime. The Company determined that its loan to the third party represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the Company consolidates this entity. At December 31, 2006, this joint venture had total assets of \$10,743.

In October 2006, the Company entered into a loan agreement with a third party under which the Company will loan the third party up to \$7,300 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The loan agreement provides that, in certain circumstances, the Company may convert the loan to a 25% ownership interest in the third party. The Company determined that its loan to the third party represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the Company consolidates this entity. At December 31, 2006, this joint venture had total assets of \$6,527.

NOTE 6. MORTGAGE AND OTHER NOTES PAYABLE

Mortgage and other notes payable consisted of the following:

| | December 31, 2006 | | December 31, 2005 | | | |
|---|-------------------|----------|-------------------|--------------|------|---|
| | Weighted | Average | Weighted | Average | | |
| | Interest | Interest | Interest | Interest | | |
| | Amount | Rate (1) | Amount | Rate (1) | | |
| Fixed-rate debt: | | | | | | |
| Non-recourse loans on operating properties | \$ 3,517,710 | 5.99 | % | \$ 3,281,939 | 6.02 | % |
| Variable-rate debt: | | | | | | |
| Recourse term loans on operating properties | 101,464 | 6.48 | % | 292,000 | 5.33 | % |
| Lines of credit | 830,932 | 6.19 | % | 690,285 | 5.29 | % |
| Construction loans | 114,429 | 6.61 | % | 76,831 | 5.76 | % |
| Total variable-rate debt | 1,046,825 | 6.26 | % | 1,059,116 | 5.33 | % |
| Total | \$ 4,564,535 | 6.06 | % | \$ 4,341,055 | 5.85 | % |

(1) Weighted average interest rate including the effect of debt premiums, but excluding the amortization of deferred financing costs.

Non-recourse and recourse term loans include loans that are secured by properties owned by the Company that have a net carrying value of \$4,748,864 at December 31, 2006.

Fixed-Rate Debt

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At December 31, 2006, fixed-rate loans bear interest at stated rates ranging from 4.52% to 10.125%. Outstanding borrowings under fixed-rate loans include unamortized debt premiums of \$34,687 that were recorded when the Company assumed debt to acquire real estate assets that was at an above-market interest rate compared to similar debt instruments at the date of acquisition. Fixed-rate loans generally provide for monthly payments of principal and/or interest and mature at various dates from April 2007 through January 2017, with a weighted average maturity of 5.07 years.

In July 2006, the Company obtained four separate ten-year, non-recourse loans totaling \$317,000 that bear interest at fixed rates ranging from 5.86% to 6.10%, with a weighted average rate of 5.96%. The

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proceeds were used to retire \$249,752 of mortgage notes payable that were scheduled to mature during the succeeding twelve months and to pay outstanding balances on the Company's credit facilities. The mortgage notes payable that were retired consisted of three variable rate term loans totaling \$189,150 and one fixed rate loan of \$60,602. The Company recorded a loss on extinguishment of debt of \$935 related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

Variable-Rate Debt

Recourse term loans bear interest at variable interest rates indexed to the prime lending rate or LIBOR. At December 31, 2006, interest rates on recourse loans varied from 6.38% to 6.60%. These loans mature at various dates from February 2007 to May 2009, with a weighted average maturity of .9 years.

Unsecured Line of Credit

On August 22, 2006, the Company amended its unsecured credit facility with Wells Fargo Bank to increase the availability from \$500,000 to \$560,000, extend the maturity date from August 27, 2006 to August 27, 2008 plus three one-year extension options, amend certain financial covenants to provide the Company with enhanced borrowing flexibility, increase the limit on the maximum availability that the Company may request from \$600,000 to \$700,000 and add a letter of credit feature to the credit facility. The credit facility bears interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage, as defined in the agreement. At December 31, 2006, the outstanding borrowings of \$330,000 under the unsecured credit facility had a weighted average interest rate of 6.25%. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility.

Secured Lines of Credit

The Company has four secured lines of credit that are used for construction, acquisition, and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit had a weighted average interest rate of 6.15% at December 31, 2006. The Company also pays a fee based on the amount of unused availability under its largest secured credit facility at a rate of 0.125% or 0.250%, depending on the level of unused availability. The following summarizes certain information about the secured lines of credit as of December 31, 2006:

| Total Available | Total Outstanding | Maturity Date |
|------------------------|--------------------------|----------------------|
| \$ 476,000 | \$ 475,232 | February 2009 |
| 100,000 | 7,500 | June 2008 |
| 20,000 | 1,000 | March 2007 |
| 17,200 | 17,200 | April 2008 |
| \$ 613,200 | \$ 500,932 | |

In addition to the total borrowings outstanding on the secured credit facilities, there were letters of credit totaling \$2,071 that were outstanding at December 31, 2006.

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In February 2006, the Company amended one of the secured credit facilities to increase the maximum availability from \$373,000 to \$476,000, extend the maturity date from February 26, 2006 to February 26, 2009 plus a one-year extension option, increase the minimum tangible net worth requirement, as defined, from \$1,000,000 to \$1,370,000 and increase the limit on the maximum availability that the Company may request from \$500,000 to \$650,000. In August 2006, the Company amended this secured credit facility to

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reduce the interest rate from LIBOR plus 0.90% to LIBOR plus 0.80% and to amend certain financial covenants to provide the Company with enhanced borrowing flexibility.

In June 2006, the Company amended its \$100,000 secured credit facility to change the maturity date from June 1, 2007 to June 1, 2008 and to substitute certain collateral under the facility.

In August 2006, the Company amended one of its secured credit facilities to increase the availability from \$10,000 to the greater of \$17,200 or the borrowing base (as defined), to reduce the interest rate from LIBOR plus 1.00% to LIBOR plus 0.80%, to extend the maturity date from April 1, 2007 to April 1, 2008 and to amend certain financial covenants to provide the Company with enhanced borrowing flexibility.

The secured lines of credit are secured by 22 of the Company's properties, which had an aggregate net carrying value of \$481,390 at December 31, 2006.

Letters of Credit

At December 31, 2006, the Company had additional secured lines of credit with a total commitment of \$37,345 that can only be used for issuing letters of credit. The total amount outstanding under these lines of credit was \$16,837 at December 31, 2006.

Covenants and Restrictions

The secured and unsecured line of credit agreements contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. Additionally, certain property-specific mortgage notes payable require the maintenance of debt service coverage ratios on their respective properties. The Company was in compliance with all covenants and restrictions at December 31, 2006.

Thirty-five malls, five associated centers, three community centers and the corporate office building are owned by special purpose entities that are included in the Company's consolidated financial statements. The sole business purpose of the special purpose entities is to own and operate these properties, each of which is encumbered by a commercial-mortgage-backed-securities loan. The real estate and other assets owned by these special purpose entities are restricted under the loan agreements in that they are not available to settle other debts of the Company. However, so long as the loans are not under an event of default, as defined in the loan agreements, the cash flows from these properties, after payments of debt service, operating expenses and reserves, are available for distribution to the Company.

Debt Maturities

As of December 31, 2006, the scheduled principal payments on all mortgage and other notes payable, including construction loans and lines of credit, are as follows:

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| | |
|--------------------------|--------------|
| 2007 | \$ 151,466 |
| 2008 | 822,124 |
| 2009 | 996,691 |
| 2010 | 456,826 |
| 2011 | 222,386 |
| Thereafter | 1,880,355 |
| | 4,529,848 |
| Net unamortized premiums | 34,687 |
| | \$ 4,564,535 |

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Of the \$151,466 of scheduled principal payments in 2007, \$91,795 is related to loans that are scheduled to mature in 2007. The Company intends to retire or refinance these loans.

NOTE 7. LOSS ON EXTINGUISHMENT OF DEBT

The losses on extinguishment of debt resulted from prepayment penalties and the write-off of unamortized deferred financing costs and unamortized debt premiums when notes payable were retired before their scheduled maturity dates as follows:

| | Year Ended December 31, | | |
|--------------------------------------|--------------------------------|-----------------|-------------|
| | 2006 | 2005 | 2004 |
| Prepayment fees | \$ 557 | \$ 6,524 | \$ |
| Unamortized deferred financing costs | 378 | 976 | |
| Unamortized debt premiums | | (1,329) | |
| | \$ 935 | \$ 6,171 | \$ |

NOTE 8. SHAREHOLDERS EQUITYCommon Stock Repurchase Plan

In November 2005, the Company's board of directors approved a plan to repurchase up to \$60,000 of the Company's common stock by December 31, 2006. The Company had repurchased 1,371,034 shares of its common stock as of December 31, 2005 for a total of \$54,998, or a weighted average cost of \$40.11 per share. The Company has not repurchased any additional shares subsequent to December 31, 2005. The Company had a payable of \$6,706 at December 31, 2005, related to repurchased common stock, which was paid in January 2006.

Preferred Stock

In June 2002, the Company completed an offering of 2,000,000 shares of 8.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"), having a par value of \$.01 per share, at its liquidation preference of \$50.00 per share. The net proceeds of \$96,370 were used to reduce outstanding balances under the Company's credit facilities and to retire term loans on several properties. The dividends on the Series B Preferred Stock are cumulative and accrue from the date of issue and are payable quarterly in arrears at a rate of \$4.375 per share per annum. The Series B Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series B Preferred Stock cannot be redeemed by the Company prior to June 14, 2007. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of \$50.00 per share plus accrued and unpaid dividends.

On August 22, 2003, the Company issued 4,600,000 depositary shares in a public offering, each representing one-tenth of a share of 7.75% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") with a par value of \$.01 per share. The Series C Preferred Stock has a liquidation preference of \$250.00 per share (\$25.00 per depositary share). The dividends on the Series C Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of \$19.375 per share (\$1.9375 per depositary share) per annum. The Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series C Preferred Stock cannot be redeemed by the Company prior to August 22, 2008. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of \$250.00 per share (\$25.00 per depositary share) plus accrued and unpaid dividends. The net proceeds of \$111,227 were used to partially fund certain acquisitions discussed in Note 3 and to reduce outstanding borrowings on the Company's credit facilities.

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On December 13, 2004, the Company issued 7,000,000 depositary shares in a public offering, each representing one-tenth of a share of 7.375% Series D Cumulative Redeemable Preferred Stock (the Series D Preferred Stock) with a par value of \$0.01 per share. The Series D Preferred Stock has a liquidation preference of \$250.00 per share (\$25.00 per depositary share). The dividends on the Series D Preferred Stock are cumulative, accrue from the date of issuance and are payable quarterly in arrears at a rate of \$18.4375 per share (\$1.84375 per depositary share) per annum. The Series D Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and is not convertible into any other securities of the Company. The Series D Preferred Stock cannot be redeemed by the Company prior to December 13, 2009. After that date, the Company may redeem shares, in whole or in part, at any time for a cash redemption price of \$250.00 per share (\$25.00 per depositary share) plus accrued and unpaid dividends. The net proceeds of \$169,333 were used to reduce outstanding borrowings on the Company's credit facilities.

Holders of each series of preferred stock will have limited voting rights if dividends are not paid for six or more quarterly periods and in certain other events.

Dividends

On November 2, 2006, the Company declared a cash dividend of \$0.5050 per share of common stock for the quarter ended December 31, 2006. The dividend was paid on January 16, 2007, to shareholders of record as of December 29, 2006. The total dividend of \$33,038 is included in accounts payable and accrued liabilities at December 31, 2006.

On October 5, 2005, the Company declared a special one-time cash dividend of \$0.09 per share of common stock as a result of the taxable gains generated from the sale of the Company's management contracts with Galileo America as discussed in Note 5. On October 27, 2005, the Company declared a cash dividend of \$0.4575 per share of common stock for the quarter ended December 31, 2005. Both dividends were paid on January 16, 2006, to shareholders of record as of December 30, 2005. The total dividend of \$34,228 is included in accounts payable and accrued liabilities at December 31, 2005.

The allocations of dividends declared and paid for income tax purposes are as follows:

| | Year Ended December 31, | | | | |
|-----------------------------|--------------------------------|--------------|-------------|---|----------|
| | 2006 | 2005 | 2004 | | |
| Dividends declared: | | | | | |
| Common stock | \$ 1.8775 | \$ 1.76625 | \$ 1.49375 | | |
| Series B preferred stock | \$ 4.375 | \$ 4.375 | \$ 4.37505 | | |
| Series C preferred stock | \$ 19.375 | \$ 19.375 | \$ 19.375 | | |
| Series D preferred stock | \$ 18.4375 | \$ 19.359375 | \$ | | |
| Allocations: ⁽¹⁾ | | | | | |
| Ordinary income | 97.56 | % | 100.00 | % | 87.41 % |
| Capital gains 15% rate | 2.22 | % | 0.00 | % | 11.27 % |
| Capital gains 20% rate | 0.00 | % | 0.00 | % | 0.00 % |
| Capital gains 25% rate | 0.22 | % | 0.00 | % | 1.32 % |
| Return of capital | 0.00 | % | 0.00 | % | 0.00 % |
| Total | 100.00 | % | 100.00 | % | 100.00 % |

(1) The allocations for income tax purposes are the same for the common stock and each series of preferred stock for each

period presented.

NOTE 9. MINORITY INTERESTS

Minority interests represent (i) the aggregate partnership interest in the Operating Partnership that is not owned by the Company and (ii) the aggregate ownership interest in 16 of the Company's shopping center properties that is held by third parties.

Minority Interest in Operating Partnership

The minority interest in the Operating Partnership is represented by common units and special common units of limited partnership interest in the Operating Partnership (the Operating Partnership Units) that the Company does not own.

The assets and liabilities allocated to the Operating Partnership's minority interests are based on their ownership percentage of the Operating Partnership at December 31, 2006 and 2005. The ownership percentage is determined by dividing the number of Operating Partnership Units held by the minority interests at December 31, 2006 and 2005 by the total Operating Partnership Units outstanding at December 31, 2006 and 2005, respectively. The minority interest ownership percentage in assets and liabilities of the Operating Partnership was 43.7% and 45.8% at December 31, 2006 and 2005, respectively.

Income is allocated to the Operating Partnership's minority interests based on their weighted average ownership during the year. The ownership percentage is determined by dividing the weighted average number of Operating Partnership Units held by the minority interests by the total weighted average number of Operating Partnership Units outstanding during the year.

A change in the number of shares of common stock or Operating Partnership Units changes the percentage ownership of all partners of the Operating Partnership. An Operating Partnership Unit is considered to be equivalent to a share of common stock since it generally is redeemable for cash or shares of the Company's common stock. As a result, an allocation is made between shareholders' equity and minority interest in the Operating Partnership in the accompanying balance sheet to reflect the change in ownership of the Operating Partnership's underlying equity when there is a change in the number of shares and/or Operating Partnership Units outstanding. In 2006, the Company allocated \$1,785 from shareholders' equity to minority interest. During 2005 and 2004, the Company allocated \$37,157 and \$12,661, respectively, from minority interest to shareholders' equity.

The total minority interest in the Operating Partnership was \$550,905 and \$596,803 at December 31, 2006 and 2005, respectively.

On November 2, 2006, the Operating Partnership declared a distribution of \$26,267 to the Operating Partnership's limited partners. The distribution was paid on January 16, 2007. This distribution represented a distribution of \$0.5050 per unit for each common unit and \$0.6346 to \$.7125 per unit for certain special common units in the Operating Partnership. The total distribution is included in accounts payable and accrued liabilities at December 31, 2006.

On October 27, 2005, the Operating Partnership declared a distribution of \$29,014 to the Operating Partnership's limited partners. The distribution was paid on January 16, 2006. This distribution represented a distribution of \$0.5475 per unit for each common unit and \$0.6346 to \$.7125 per unit for certain special common units in the Operating Partnership. The total distribution is included in accounts payable and accrued liabilities at December 31, 2005.

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Minority Interest in Operating Partnership-Conversion Rights

Under the terms of the Operating Partnership's limited partnership agreement, each of the limited partners has the right to exchange all or a portion of its partnership interests for shares of CBL's common stock or, at CBL's election, their cash equivalent. When an exchange occurs, CBL assumes the limited partner's ownership interests in the Operating Partnership. The number of shares of common stock received by a limited partner of the Operating Partnership upon exercise of its exchange rights will be equal, on a one-for-one basis, to the number of Operating Partnership Units exchanged by the limited partner. The amount of cash received by the limited partner, if CBL elects to pay cash, will be based on the five-day trailing average of the trading price at the time of exercise of the shares of common stock that would otherwise have been received by the limited partner in the exchange. Neither the limited partnership interests in the Operating Partnership nor the shares of common stock of CBL are subject to any right of mandatory redemption.

As of January 31, 2004, holders of 26,318,804 Series J special common units (J-SCUs) may exchange them for shares of common stock or cash. The J-SCUs receive a distribution equal to that paid on the common units.

In July 2004, the Company issued 1,560,940 S-SCUs in connection with the acquisition of Monroeville Mall, which is discussed in Note 3. The S-SCUs receive a minimum distribution of \$2.53825 per unit per year for the first three years, and a minimum distribution of \$2.92875 per unit per year thereafter.

In June 2005, the Company issued 571,700 L-SCUs in connection with the acquisition of Laurel Park Place, which is discussed in Note 3. The L-SCUs receive a minimum distribution of \$0.7575 per unit per quarter (\$3.03 per unit per year). Upon the earlier to occur of June 1, 2020, or when the distribution on the common units exceeds \$0.7575 per unit for four consecutive calendar quarters, the L-SCUs will thereafter receive a distribution equal to the amount paid on the common units.

In November 2005, the Company issued 1,144,924 K-SCUs in connection with the acquisition of Oak Park Mall, Eastland Mall and Hickory Point Mall, which is discussed in Note 3. The K-SCUs received a dividend at a rate of 6.0%, or \$2.85 per K-SCU, for the first year following the close of the transaction and will receive a dividend at a rate of 6.25%, or \$2.96875 per K-SCU, thereafter. When the quarterly distribution on the Operating Partnership's common units exceeds the quarterly K-SCU distribution for four consecutive quarters, the K-SCUs will receive distributions at the rate equal to that paid on the Operating Partnership's common units. At any time following the first anniversary of the closing date, the holders of the K-SCUs may exchange them, on a one-for-one basis, for shares of the Company's common stock or, at the Company's election, their cash equivalent.

The Company issued 237,390 common units in connection with the acquisition of Panama City Mall in 2002. These common units receive a minimum annual dividend of \$1.6875 per unit until May 2012. When the distribution on the common units exceeds \$1.6875 per unit, these common units will receive a distribution equal to that paid on the common units. Additionally, if the annual distribution on the common units should ever be less than \$1.11 per unit, the \$1.6875 per unit dividend will be reduced by the amount the per unit distribution is less than \$1.11 per unit. The annual distribution on the common units exceeded \$1.6875 per unit during 2005.

During 2006, holders elected to exchange 595,041 special common units and 1,480,066 common units. The Company elected to exchange \$3,610 of cash and 1,979,644 shares of common stock for these units.

During 2005, holders elected to exchange 48,618 special common units and 3,518 common units and the Company elected to exchange \$2,172 of cash for these units.

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During 2004, holders elected to exchange 62,392 special common units and 683,250 common units. The Company elected to exchange \$5,949 of cash and 525,636 shares of common stock for these units.

Outstanding rights to convert minority interests in the Operating Partnership to common stock were held by the following parties at December 31, 2006 and 2005:

| | December 31, 2006 | 2005 |
|-----------------------------------|-----------------------------|-------------|
| The Company | 65,421,311 | 62,512,816 |
| Jacobs | 23,066,680 | 23,796,796 |
| CBL's Predecessor | 17,493,676 | 17,511,224 |
| Third parties | 10,298,001 | 11,617,592 |
| Total Operating Partnership Units | 116,279,668 | 115,438,428 |

Minority Interest in Shopping Center Properties

The Company's consolidated financial statements include the assets, liabilities and results of operations of 16 properties that the Company does not wholly own. The minority interests in shopping center properties represents the aggregate ownership interest of third parties in these properties. The total minority interests in shopping center properties was \$8,545 and \$12,672 at December 31, 2006 and 2005, respectively.

The assets and liabilities allocated to the minority interests in shopping center properties are based on the third parties' ownership percentages in each shopping center property at December 31, 2005 and 2004. Income is allocated to the minority interests in shopping center properties based on the third parties' weighted average ownership in each shopping center property during the year.

NOTE 10. MINIMUM RENTS

The Company receives rental income by leasing retail shopping center space under operating leases. Future minimum rents are scheduled to be received under noncancellable tenant leases at December 31, 2006, as follows:

| | | |
|------------|----|-----------|
| 2007 | \$ | 546,893 |
| 2008 | | 472,088 |
| 2009 | | 415,491 |
| 2010 | | 357,383 |
| 2011 | | 296,946 |
| Thereafter | | 1,016,814 |
| | \$ | 3,105,615 |

Future minimum rents do not include percentage rents or tenant reimbursements that may become due.

NOTE 11. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable are collateralized by first mortgages, wrap-around mortgages on the underlying real estate and related improvements or by assignment of 100% of the partnership interests that own the real estate assets. Interest rates on notes receivable range from 5.0% to 10.0%, with a weighted average interest rate of 7.33% and 6.68% at December 31, 2006 and 2005, respectively. Maturities of notes receivable range from February 2007 to January 2047.

NOTE 12. SEGMENT INFORMATION

The Company measures performance and allocates resources according to property type, which is determined based on differences such as nature of tenants, capital requirements, economic risks and leasing terms. Rental income and tenant reimbursements from tenant leases provide the majority of revenues from all segments. The accounting policies of the reportable segments are the same as those described in Note 2. Information on the Company's reportable segments is presented as follows:

| | Associated | | Community | | Total |
|---|--------------|------------|-----------|---------------|--------------|
| | Malls | Centers | Centers | All Other (2) | |
| Year Ended December 31, 2006 | | | | | |
| Revenues | \$ 928,173 | \$ 38,659 | \$ 7,431 | \$ 27,878 | \$ 1,002,141 |
| Property operating expenses (1) | (313,889) | (9,228) | (2,372) | 28,399 | (297,090) |
| Interest expense | (214,709) | (4,681) | (2,826) | (34,851) | (257,067) |
| Other expense | | | | (18,623) | (18,623) |
| Gain on sales of real estate assets | 4,405 | 1,033 | 34 | 9,033 | 14,505 |
| Segment profit and loss | \$ 403,980 | \$ 25,783 | \$ 2,267 | \$ 11,836 | 443,866 |
| Depreciation and amortization expense | | | | | (230,323) |
| General and administrative expense | | | | | (39,522) |
| Interest and other income | | | | | 8,804 |
| Loss on extinguishment of debt | | | | | (935) |
| Loss on impairment of real estate assets | | | | | (480) |
| Equity in earnings of unconsolidated affiliates | | | | | 5,295 |
| Income tax provision | | | | | (5,902) |
| Minority interest in earnings | | | | | (74,459) |
| Income before discontinued operations | | | | | \$ 106,344 |
| Total assets | \$ 5,823,890 | \$ 317,708 | \$ 53,457 | \$ 323,755 | \$ 6,518,810 |
| Capital expenditures | \$ 285,560 | \$ 42,952 | \$ 3,606 | \$ 157,399 | \$ 489,517 |

| | Associated | | Community | | Total |
|---|--------------|------------|------------|---------------|--------------|
| | Malls | Centers | Centers | All Other (2) | |
| Year Ended December 31, 2005 | | | | | |
| Revenues | \$ 827,679 | \$ 34,293 | \$ 8,168 | \$ 37,320 | \$ 907,460 |
| Property operating expenses (1) | (280,122) | (8,833) | (2,192) | 21,564 | (269,583) |
| Interest expense | (183,120) | (4,674) | (2,872) | (17,517) | (208,183) |
| Other expense | | | | (15,444) | (15,444) |
| Gain on sales of real estate assets | 18 | | 3,802 | 49,763 | 53,583 |
| Segment profit and loss | \$ 364,455 | \$ 20,786 | \$ 6,906 | \$ 75,686 | 467,833 |
| Depreciation and amortization expense | | | | | (179,474) |
| General and administrative expense | | | | | (39,197) |
| Interest and other income | | | | | 6,831 |
| Loss on extinguishment of debt | | | | | (6,171) |
| Gain on sale of management contracts | | | | | 21,619 |
| Loss on impairment of real estate assets | | | | | (1,334) |
| Equity in earnings of unconsolidated affiliates | | | | | 8,495 |
| Minority interest in earnings | | | | | (116,940) |
| Income before discontinued operations | | | | | \$ 161,662 |
| Total assets | \$ 5,619,923 | \$ 272,364 | \$ 151,970 | \$ 308,065 | \$ 6,352,322 |
| Capital expenditures | \$ 1,182,349 | \$ 21,577 | \$ 77,026 | \$ 85,037 | \$ 1,365,989 |

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| Year Ended December 31, 2004 | Associated | | Community | | Total |
|---|--------------|------------|------------|---------------|--------------|
| | Malls | Centers | Centers | All Other (2) | |
| Revenues | \$ 720,106 | \$ 30,000 | \$ 14,782 | \$ 16,255 | \$ 781,143 |
| Property operating expenses (1) | (250,512) | (6,672) | (4,791) | 21,102) | (240,873) |
| Interest expense | (159,998) | (4,804) | (3,154) | (9,263) | (177,219) |
| Other expense | | | | (16,373) | (16,373) |
| Gain on sales of real estate assets | 848 | 322 | 27,784 | 318 | 29,272 |
| Segment profit and loss | \$ 310,444 | \$ 18,846 | \$ 34,621 | \$ 12,039 | 375,950 |
| Depreciation and amortization expense | | | | | (142,004) |
| General and administrative expense | | | | | (35,338) |
| Interest and other income | | | | | 3,355 |
| Loss on impairment of real estate assets | | | | | (3,080) |
| Equity in earnings of unconsolidated affiliates | | | | | 10,308 |
| Minority interest in earnings | | | | | (90,551) |
| Income before discontinued operations | | | | | \$ 118,640 |
| Total assets | \$ 4,653,707 | \$ 273,166 | \$ 155,042 | \$ 122,585 | \$ 5,204,500 |
| Capital expenditures | \$ 1,081,529 | \$ 56,109 | \$ 18,631 | \$ 20,541 | \$ 1,176,810 |

- (1) Property operating expenses include property operating, real estate taxes and maintenance and repairs.
(2) The All Other category includes mortgage notes receivable, the Company's office building, the Management Company and the Company's subsidiary that provides security and maintenance services.

NOTE 13. OPERATING PARTNERSHIP

Condensed consolidated financial statement information for the Operating Partnership is presented as follows:

| | December 31, 2006 | 2005 |
|---|----------------------|------------------|
| ASSETS: | | |
| Net investment in real estate assets | \$ 6,094,252 | \$ 5,944,428 |
| Investment in unconsolidated affiliates | 78,826 | 84,137 |
| Other assets | 344,842 | 323,354 |
| Total assets | \$ 6,517,921 | \$ 6,351,919 |
| LIABILITIES: | | |
| Mortgage and other notes payable | \$ 4,564,534 | \$ 4,341,055 |
| Other liabilities | 276,792 | 279,315 |
| Total liabilities | 4,841,326 | 4,620,370 |
| Minority interests | 8,959 | 12,672 |
| PARTNERS' CAPITAL | 1,667,636 | 1,718,877 |
| Total liabilities and partners' capital | \$ 6,517,921 | \$ 6,351,919 |

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| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2006 | 2005 | 2004 |
| Total revenues | \$ 1,002,141 | \$ 907,459 | \$ 781,143 |
| Depreciation and amortization | (230,323) | (179,474) | (142,004) |
| Other operating expenses | (352,033) | (323,082) | (294,273) |
| Income from operations | 419,785 | 404,903 | 344,866 |
| Interest and other income | 8,799 | 6,828 | 3,355 |
| Interest expense | (257,065) | (208,180) | (177,191) |
| Loss on extinguishment of debt | (935) | (6,171) | |
| Gain on sales of real estate assets | 14,505 | 53,583 | 29,272 |
| Gain on sale of management contracts | | 21,619 | |
| Equity in earnings of unconsolidated affiliates | 5,295 | 8,495 | 10,308 |
| Income tax provision | (5,902) | | |
| Minority interest in shopping center properties | (4,136) | (4,879) | (5,365) |
| Income before discontinued operations | 180,346 | 276,198 | 205,245 |
| Operating income of discontinued operations | 2,765 | 857 | 1,626 |
| Gain (loss) on discontinued operations | 8,392 | (82) | 845 |
| Net income | \$ 191,503 | \$ 276,973 | \$ 207,716 |

NOTE 14. SUPPLEMENTAL AND NONCASH INFORMATION

The Company paid cash for interest, net of amounts capitalized, in the amount of \$255,523, \$207,861 and \$174,496 during 2006, 2005 and 2004, respectively.

The Company's noncash investing and financing activities were as follows for 2006, 2005 and 2004:

| | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|
| Accrued dividends and distributions | \$ 59,305 | \$ 63,242 | \$ 46,644 |
| Additions to real estate assets accrued but not yet paid | 38,543 | 19,754 | 9,041 |
| Conversion of Operating Partnership units into common stock | 21,983 | 10,304 | 5,630 |
| Note receivable from sale of real estate assets | 3,366 | 2,627 | |
| Payable related to acquired marketable securities | 1,078 | | |
| Debt assumed to acquire property interests | | 385,754 | 304,646 |
| Issuance of minority interest to acquire property interests | | 72,850 | 46,212 |
| Purchase obligation related to acquired property | | 14,000 | 11,950 |
| Premiums related to debt assumed to acquire property interests | | 10,552 | 19,455 |
| Payable related to repurchased common stock | | 6,706 | |
| Debt consolidated from application of FIN 46(R) | | | 38,147 |

NOTE 15. RELATED PARTY TRANSACTIONS

CBL's Predecessor and certain officers of the Company have a significant minority interest in the construction company that the Company engaged to build substantially all of the Company's development properties. The Company paid approximately \$221,151, \$96,246 and \$81,153 to the construction company in 2006, 2005 and 2004, respectively, for construction and development activities. The Company had accounts payable to the construction company of \$31,243 and \$8,097 at December 31, 2006 and 2005, respectively.

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The Management Company provides management, development and leasing services to the Company's unconsolidated affiliates and other affiliated partnerships. Revenues recognized for these services amounted to \$3,219, \$14,290 and \$5,970 in 2006, 2005 and 2004, respectively.

NOTE 16. CONTINGENCIES

The Company is currently involved in certain litigation that arises in the ordinary course of business. It is management's opinion that the pending litigation will not materially affect the financial position or results of operations of the Company. Additionally, management believes that, based on environmental studies completed to date, any exposure to environmental cleanup will not materially affect the financial position and results of operations of the Company.

Guarantees

The Company has guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which the Company owns a 45% interest. The total amount outstanding at both December 31, 2006 and 2005 was \$53,200, of which the Company had guaranteed \$26,600. The guaranty will expire when the related debt matures in June 2008. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company has guaranteed the performance of York Town Center, LP (YTC), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that will own property adjacent to the shopping center property YTC is currently developing. Under the terms of that agreement, YTC is obligated to cause performance of the third party's obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord's lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC's performance under this agreement up to a maximum of \$22,000, which decreases by \$800 annually until the guaranteed amount is reduced to \$10,000. The Company has entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts the Company is obligated to fund under the guaranty. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

Under the terms of the partnership agreement of Mall of South Carolina L.P., an unconsolidated affiliate in which the Company owns a 50% interest, the Company had guaranteed 100% of the construction debt incurred to develop Coastal Grand Myrtle Beach in Myrtle Beach, SC. The Company received a fee of \$1,572 for this guaranty when it was issued during 2003. The Company was recognizing one-half of this fee as revenue pro rata over the term of the guaranty until its scheduled expiration in May 2006, which represents the portion of the fee attributable to the third-party partner's ownership interest. As discussed in Note 5, Mall of South Carolina L.P. refinanced the construction loan with new mortgage loans in September 2004. As a result, the Company was released from the guaranty and recognized one-half of the unamortized balance of the guaranty fee, or \$328, as revenue when the construction loan was retired. The remaining \$328 attributable to the Company's ownership interest was recorded as a reduction to the Company's investment in the partnership. The Company recognized total revenue of \$568 related to this guaranty during 2004.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. The total amount outstanding on these bonds was \$18,369 and \$24,100 at December 31, 2006 and 2005, respectively.

Ground Leases

The Company is the lessee of land at certain of its properties under long-term operating leases, which include scheduled increases in minimum rents. The Company recognizes these scheduled rent increases on a straight-line basis over the initial lease terms. Most leases have initial terms of at least 20 year and contain one or more renewal options, generally for a minimum of five- or 10-year periods.

The future obligations under these operating leases at December 31, 2006, are as follows:

| | |
|------------|-----------|
| 2007 | \$ 626 |
| 2008 | 628 |
| 2009 | 632 |
| 2010 | 634 |
| 2011 | 737 |
| Thereafter | 34,937 |
| | \$ 38,194 |

NOTE 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage notes receivable is a reasonable estimate of fair value. The fair value of mortgage and other notes payable was \$4,608,682 and \$4,336,474 at December 31, 2006 and 2005, respectively. The fair value was calculated by discounting future cash flows for the notes payable using estimated rates at which similar loans would be made currently.

NOTE 18. SHARE-BASED COMPENSATION

The Company maintains the CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan, as amended, which permits the Company to issue stock options and common stock to selected officers, employees and directors of the Company up to a total of 10,400,000 shares. The compensation committee of the board of directors (the Committee) administers the plan.

Historically, the Company accounted for its stock-based compensation plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and related interpretations. Effective January 1, 2003, the Company elected to begin recording the expense associated with stock options granted after January 1, 2003, on a prospective basis in accordance with the fair value and transition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement No. 123*.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Under that transition method, compensation cost recognized during the year ended December 31, 2006

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includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Under SFAS No. 123(R), share-based payments are not recorded as shareholders' equity until the related compensation expense is recognized. Accordingly, the Company reclassified \$8,895 from the deferred compensation line item in shareholders' equity to additional-paid in capital as of January 1, 2006. Results for prior periods have not been restated.

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As a result of adopting SFAS No. 123(R) on January 1, 2006, the Company's net income available to common shareholders for the year ended December 31, 2006 is \$302 lower than if it had continued to account for share-based compensation under SFAS No. 123. As a result, basic EPS and diluted EPS were each \$0.01 per share lower.

The compensation cost that has been charged against income for the plan was \$5,632, \$4,775 and \$2,890 for 2006, 2005 and 2004, respectively. Compensation cost resulting from share-based awards is recorded at the Management Company, which is a taxable entity. The income tax benefit resulting from stock-based compensation of \$5,750 in 2006 has been reflected as a financing cash flow in the consolidated statement of cash flows. As a result of recurring losses in 2005 and 2004, a full valuation allowance had been recorded against the Management Company's net deferred tax asset. Accordingly, the recognition of compensation cost or the tax deduction received upon the exercise or vesting of share-based awards resulted in no tax benefits to the Company in those years. Compensation cost capitalized as part of real estate assets was \$947, \$535 and \$275 in 2006, 2005 and 2004, respectively.

Stock Options

Stock options issued under the plan allow for the purchase of common stock at the fair market value of the stock on the date of grant. Stock options granted to officers and employees vest and become exercisable in equal installments on each of the first five anniversaries of the date of grant and expire 10 years after the date of grant. Stock options granted to independent directors are fully vested upon grant; however, the independent directors may not sell, pledge or otherwise transfer their stock options during their board term or for one year thereafter. No stock options have been granted since 2002.

No stock-based compensation expense related to stock options granted prior to January 1, 2003, has been reflected in net income of periods ended prior to January 1, 2006, since these awards are being accounted for under APB No. 25 and all options granted had an exercise price equal to the fair value of the Company's common stock on the date of grant. For SFAS No. 123 pro forma disclosure purposes, the fair value of stock options was determined as of the date of grant using the Black-Scholes option-pricing model.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123(R) to all outstanding and unvested awards in 2005 and 2004:

| | Year Ended December 31, | |
|---|--------------------------------|-------------|
| | 2005 | 2004 |
| Net income available to common shareholders, as reported | \$ 131,907 | \$ 102,802 |
| Stock-based compensation expense included in reported net income available to common shareholders | 4,775 | 2,890 |
| Total stock-based compensation expense determined under fair value method | (5,186) | (3,398) |
| Pro forma net income available to common shareholders | \$ 131,496 | \$ 102,294 |
| Earnings per share: | | |
| Basic, as reported | \$ 2.10 | \$ 1.67 |
| Basic, pro forma | \$ 2.10 | \$ 1.66 |
| Diluted, as reported | \$ 2.03 | \$ 1.61 |
| Diluted, pro forma | \$ 2.03 | \$ 1.60 |

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The Company's stock option activity for the year ended December 31, 2006 is summarized as follows:

| | Weighted | Average | Remaining | Aggregate |
|---|-----------------|-----------------|--------------------|------------------|
| | Average | Exercise | Contractual | Intrinsic |
| | Shares | Price | Term | Value |
| Outstanding at January 1, 2006 | 2,208,440 | \$ 13.89 | | |
| Exercised | (700,120) |) \$ 12.74 | | |
| Cancelled | (5,600) |) \$ 18.27 | | |
| Outstanding at December 31, 2006 | 1,502,720 | \$ 14.40 | 3.6 | \$ 43,499 |
| Vested or expected to vest at December 31, 2006 | 1,502,720 | \$ 14.40 | 3.6 | \$ 43,499 |
| Options exercisable at December 31, 2006 | 1,357,920 | \$ 13.99 | 3.5 | \$ 39,867 |

No stock options have been granted since the adoption of SFAS No. 123 on January 1, 2003. The total intrinsic value of options exercised during 2006, 2005 and 2004 was \$19,898, \$23,055 and \$24,471, respectively.

Stock Awards

Under the plan, common stock may be awarded either alone, in addition to, or in tandem with other stock awards granted under the plan. The Committee has the authority to determine eligible persons to whom common stock will be awarded, the number of shares to be awarded and the duration of the vesting period, as defined. Generally, an award of common stock vests either immediately at grant, in equal installments over a period of five years or in one installment at the end of periods up to five years. The Committee may also provide for the issuance of common stock under the plan on a deferred basis pursuant to deferred compensation arrangements. The fair value of common stock awarded under the plan is determined based on the market price of the Company's common stock on the grant date and the related compensation expense is recognized over the vesting period on a straight-line basis.

A summary of the status of the Company's stock awards as of December 31, 2006, and changes during the year ended December 31, 2006, is presented below:

| | Weighted | Average | Grant-Date | Fair Value |
|--------------------------------|-----------------|-------------------|-------------------|-------------------|
| | Shares | Fair Value | | |
| Nonvested at January 1, 2006 | 387,506 | \$ 30.06 | | |
| Granted | 249,538 | \$ 39.73 | | |
| Vested | (167,840) |) \$ 32.18 | | |
| Forfeited | (11,860) |) \$ 35.34 | | |
| Nonvested at December 31, 2006 | 457,344 | \$ 34.35 | | |

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The weighted average grant-date fair value of shares granted during 2006, 2005 and 2004 was \$39.73, \$38.24 and \$26.37, respectively. The total fair value of shares vested during 2006, 2005 and 2004 was \$6,735, \$13,144 and \$3,990, respectively.

As of December 31, 2006, there was \$12,091 of total unrecognized compensation cost related to nonvested stock options and stock awards granted under the plan, which is expected to be recognized over a weighted average period of 3.6 years.

NOTE 19. EMPLOYEE BENEFIT PLANS

401(k) Plan

The Management Company maintains a 401(k) profit sharing plan, which is qualified under Section 401(a) and Section 401(k) of the Code to cover employees of the Management Company. All employees who have attained the age of 21 and have completed at least 90 days of service are eligible to participate in the plan. The plan provides for employer matching contributions on behalf of each participant equal to 50% of the portion of such participant's contribution that does not exceed 2.5% of such participant's compensation for the plan year. Additionally, the Management Company has the discretion to make additional profit-sharing-type contributions not related to participant elective contributions. Total contributions by the Management Company were \$1,157, \$727 and \$657 in 2006, 2005 and 2004, respectively.

Employee Stock Purchase Plan

The Company maintains an employee stock purchase plan that allows eligible employees to acquire shares of the Company's common stock in the open market without incurring brokerage or transaction fees. Under the plan, eligible employees make payroll deductions that are used to purchase shares of the Company's common stock. The shares are purchased by the fifth business day of the month following the month when the deductions were withheld. The shares are purchased at the prevailing market price of the stock at the time of purchase.

Deferred Compensation Arrangements

The Company has entered into agreements with certain of its officers that allow the officers to defer receipt of selected salary increases and/or bonus compensation for periods ranging from 5 to 10 years. For certain officers, the deferred compensation arrangements provide that when the salary increase or bonus compensation is earned and deferred, shares of the Company's common stock issuable under the Amended and Restated Stock Incentive Plan are deemed set aside for the amount deferred. The number of shares deemed set aside is determined by dividing the amount of compensation deferred by the fair value of the Company's common stock on the deferral date, as defined in the arrangements. The shares set aside are deemed to receive dividends equivalent to those paid on the Company's common stock, which are then deemed to be reinvested in the Company's common stock in accordance with the Company's dividend reinvestment plan. When an arrangement terminates, the Company will issue shares of the Company's common stock to the officer equivalent to the number of shares deemed to have accumulated under the officer's arrangement. The Company accrues compensation expense related to these agreements as the compensation is earned during the term of the agreement.

In October 2005, the Company issued 174,403 shares of common stock to one officer as a result of the termination of that officer's deferred compensation agreement.

In June 2006, the Company issued 13,974 shares of common stock to an officer, net of 5,026 shares surrendered to satisfy withholding taxes, as a result of the termination of that officer's deferred compensation agreement.

At December 31, 2006 and 2005, respectively, there were 47,813 and 63,882 shares that were deemed set aside in accordance with these arrangements.

For other officers, the deferred compensation arrangements provide that their bonus compensation is deferred in the form of a note payable to the officer. Interest accumulates on these notes at 7.0%. When an arrangement terminates, the note payable plus accrued interest is paid to the officer in

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interest, of \$165 and \$107 related to these arrangements.

NOTE 20. STAFF ACCOUNTING BULLETIN NO. 108

As discussed in Note 2, the Company adopted SAB No. 108 on December 31, 2006.

In prior years, the Company incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, the Company improperly recorded deferred tax assets. These errors in accounting for income taxes resulted in an understatement of the Company's provision for income taxes and an overstatement of net income and minority interest in earnings of the Operating Partnership for the affected years.

As permitted by the initial application provisions of SAB No. 108, the Company adjusted the affected balance sheet accounts and retained earnings as of January 1, 2006 for the cumulative effect of these errors. The impact of correcting these items as of January 1, 2006 is summarized as follows:

| | |
|-----------------------------|-------------|
| Deferred tax asset | \$ 4,442 |
| Minority interest liability | (2,008) |
| Additional paid-in capital | (9,696) |
| Retained earnings | \$ (7,262) |

NOTE 21. SUBSEQUENT EVENT

In February 2007, the Company entered into an agreement with Bain Capital, a global private investment firm, under which the Company acquired a minority interest in subsidiaries of Jhinseng Group, an established mall operating and real estate development company located in Nanjing, China, for \$15,000. The Company also received warrants to acquire an additional minority interest that can be exercised at the Company's option for a period of three years.

NOTE 22. QUARTERLY INFORMATION (UNAUDITED)

The following quarterly information differs from previously reported results since the results of operations of long-lived assets disposed of subsequent to each quarter end in 2006 have been reclassified to discontinued operations for all periods presented.

| Year Ended December 31, 2006 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total (1) |
|---------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|------------------|
| Total revenues | \$ 245,319 | \$ 236,981 | \$ 246,549 | \$ 273,292 | \$ 1,002,141 |
| Income from operations | 104,102 | 97,567 | 93,915 | 120,519 | 416,103 |
| Income before discontinued operations | 26,156 | 20,601 | 22,150 | 37,437 | 106,344 |
| Discontinued operations | 2,099 | 7,969 | (171) | 1,260 | 11,157 |

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| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Net income available to common shareholders | 20,613 | 20,928 | 14,337 | 31,055 | 86,933 |
| Basic per share data: | | | | | |
| Income before discontinued operations, | | | | | |
| net of preferred dividends | \$ 0.30 | \$ 0.20 | \$ 0.23 | \$ 0.46 | \$ 1.19 |
| Net income available to common shareholders | \$ 0.33 | \$ 0.33 | \$ 0.22 | \$ 0.48 | \$ 1.36 |
| Diluted per share data: | | | | | |
| Income before discontinued operations, | | | | | |
| net of preferred dividends | \$ 0.29 | \$ 0.20 | \$ 0.22 | \$ 0.45 | \$ 1.16 |
| Net income available to common shareholders | \$ 0.32 | \$ 0.32 | \$ 0.22 | \$ 0.47 | \$ 1.33 |

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| | First | Second | Third | Fourth | |
|---|----------------|----------------|----------------|----------------|------------------|
| Year Ended December 31, 2005 | Quarter | Quarter | Quarter | Quarter | Total (1) |
| Total revenues | \$ 214,711 | \$ 203,033 | \$ 227,780 | \$ 261,936 | \$ 907,460 |
| Income from operations | 97,180 | 87,088 | 99,638 | 118,522 | 402,428 |
| Income before discontinued operations | 32,640 | 28,419 | 67,443 | 33,160 | 161,662 |
| Discontinued operations | 373 | 6 | 292 | 142 | 813 |
| Net income available to common shareholders | 25,371 | 20,783 | 60,093 | 25,660 | 131,907 |
| Basic per share data: | | | | | |
| Income before discontinued operations, | | | | | |
| net of preferred dividends | \$ 0.40 | \$ 0.33 | \$ 0.95 | \$ 0.41 | \$ 2.09 |
| Net income available to common shareholders | \$ 0.41 | \$ 0.33 | \$ 0.95 | \$ 0.41 | \$ 2.10 |
| Diluted per share data: | | | | | |
| Income before discontinued operations, | | | | | |
| net of preferred dividends | \$ 0.39 | \$ 0.32 | \$ 0.92 | \$ 0.39 | \$ 2.02 |
| Net income available to common shareholders | \$ 0.39 | \$ 0.32 | \$ 0.92 | \$ 0.40 | \$ 2.03 |

(1) The sum of quarterly earnings per share may differ from annual earnings per share due to rounding.

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Schedule II**CBL & Associates Properties, Inc.****Valuation and Qualifying Accounts****(in thousands)**

| | Year Ended December 31, | | |
|--|--------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| Allowance for doubtful accounts: | | | |
| Balance, beginning of year | \$ 3,439 | \$ 3,237 | \$ 3,237 |
| Additions (reductions) in allowance charged to expense | (1,097) | 1,296 | 2,754 |
| Bad debts charged against allowance | (1,214) | (1,094) | (2,754) |
| Balance, end of year | \$ 1,128 | \$ 3,439 | \$ 3,237 |

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Schedule III

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

At December 31, 2006

(In thousands)

| Description /Location | Initial Cost (A) | | | | Gross Amounts at Which Carried at Close of Period | | | | Accumulated Depreciation (D) | Date of Construction / Acquisition |
|---------------------------------------|------------------|----------|----------------------------|---|---|----------|----------------------------|------------|------------------------------|------------------------------------|
| | Encumbrances (B) | Land | Buildings and Improvements | Costs Capitalized Subsequent to Acquisition | Sales of Outparcel Land | Land | Buildings and Improvements | Total (C) | | |
| | | | | | | | | | | |
| MALLS: | | | | | | | | | | |
| Arbor Place, Douglasville, GA | \$ 74,848 | \$ 7,862 | \$ 95,330 | \$ 19,142 | | \$ 7,862 | \$ 114,472 | \$ 122,334 | \$24,931 | 1998 -1999 |
| Asheville Mall, Asheville, NC | 66,804 | 7,139 | 58,747 | 32,464 | (805) | 6,334 | 91,211 | 97,545 | 19,091 | 1998 |
| Bonita Lakes Mall, Meridian, MS | 25,021 | 4,924 | 31,933 | 6,380 | (985) | 4,924 | 37,328 | 42,252 | 11,267 | 1997 |
| Brookfield Square, Brookfield, WI | 103,341 | 8,646 | 78,703 | 12,185 | | 8,649 | 90,885 | 99,534 | 13,567 | 2001 |
| Burnsville Center, Burnsville, MN | 66,780 | 12,804 | 71,355 | 42,314 | (1,157) | 16,102 | 109,214 | 125,316 | 22,750 | 1998 |
| Cary Towne Center, Cary, NC | 84,898 | 23,688 | 74,432 | 19,221 | | 23,701 | 93,640 | 117,341 | 13,568 | 2001 |
| Chapel Hill Mall, Akron, OH | 76,697 | 6,578 | 68,043 | 7,330 | | 6,578 | 75,373 | 81,951 | 5,398 | 2004 |
| Cherry Vale Mall, Rockford, IL | 92,375 | 11,892 | 63,973 | 26,173 | (1,667) | 11,608 | 88,763 | 100,371 | 12,410 | 2001 |
| Citadel Mall, Charleston, SC | 29,042 | 11,443 | 44,008 | 11,050 | | 11,896 | 54,605 | 66,501 | 8,143 | 2001 |
| Cross Creek Mall, Fayetteville, NC | 68,514 | 19,155 | 104,353 | 7,676 | | 19,155 | 112,029 | 131,184 | 11,677 | 2003 |
| College Square, Morristown, TN (E) | | 2,954 | 17,787 | 11,755 | (27) | 2,927 | 29,542 | 32,469 | 11,509 | 1987 -1988 |
| Columbia Place, Columbia, SC | 31,729 | 9,645 | 52,348 | 3,062 | (423) | 9,222 | 55,410 | 64,632 | 8,639 | 2002 |
| CoolSprings Galleria, Nashville, TN | 126,915 | 13,527 | 86,755 | 48,223 | | 13,527 | 134,978 | 148,505 | 45,209 | 1989 -1991 |
| Eastland Mall, Bloomington, IL | 59,400 | 5,746 | 75,893 | 402 | | 5,746 | 76,295 | 82,041 | 3,337 | 2005 |
| East Towne Mall, Madison, WI | 78,719 | 4,496 | 63,867 | 35,914 | (366) | 4,130 | 99,781 | 103,911 | 13,862 | 2002 |
| Eastgate Mall, Cincinnati, OH (G) | 55,377 | 13,046 | 44,949 | 23,513 | | 13,046 | 68,462 | 81,508 | 10,081 | 2001 |
| Fashion Square, Saginaw, MI | 57,307 | 15,218 | 64,970 | 10,103 | | 15,218 | 75,073 | 90,291 | 12,263 | 2001 |
| Fayette Mall, Lexington, KY | 91,673 | 20,707 | 84,267 | 38,999 | 11 | 20,718 | 123,266 | 143,984 | 15,398 | 2001 |
| Frontier Mall, Cheyenne, WY (E) | | 2,681 | 15,858 | 11,345 | | 2,681 | 27,203 | 29,884 | 12,039 | 1984 -1985 |
| Foothills Mall, Maryville, TN (E) | | 4,536 | 14,901 | 10,896 | | 4,536 | 25,797 | 30,333 | 10,807 | 1996 |
| Georgia Square, Athens, GA (E) | | 2,982 | 31,071 | 13,106 | (32) | 2,950 | 44,177 | 47,127 | 21,776 | 1982 |
| Greenbrier Mall, Chesapeake, VA | 84,653 | 3,181 | 107,355 | 2,932 | | 2,555 | 110,913 | 113,468 | 8,579 | 2004 |
| Gulf Coast Town Center, Ft Meyers, FL | 124,058 | 18,816 | 65,947 | | (1,964) | 16,852 | 65,947 | 82,799 | 2,171 | 2005 |
| Hamilton Place, Chattanooga, TN | 116,518 | 2,422 | 40,757 | 20,915 | (441) | 1,981 | 61,672 | 63,653 | 25,146 | 1986 -1987 |
| Hanes Mall, Winston-Salem, NC | 102,911 | 17,176 | 133,376 | 36,548 | (948) | 16,808 | 169,344 | 186,152 | 24,113 | 2001 |
| Harford Mall, Bel Air, MD (E) | | 8,699 | 45,704 | 3,086 | | 8,699 | 48,790 | 57,489 | 5,765 | 2003 |

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Hickory Hollow Mall,
Nashville, TN

| | | | | | | | | |
|--------|--------|---------|--------|--------|---------|---------|--------|------|
| 84,262 | 13,813 | 111,431 | 24,123 | 13,813 | 135,554 | 149,367 | 27,672 | 1998 |
|--------|--------|---------|--------|--------|---------|---------|--------|------|

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Schedule III

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

At December 31, 2006

(In thousands)

| Description /Location | Initial Cost (A) | | | | Gross Amounts at Which Carried at Close of Period | | | | Accumulated Depreciation (D) | Date of Construction / Acquisition |
|--|------------------|--------|----------------------------|---|---|--------|----------------------------|-----------|------------------------------|------------------------------------|
| | Encumbrances (B) | Land | Buildings and Improvements | Costs Capitalized Subsequent to Acquisition | Sales of Outparcel Land | Land | Buildings and Improvements | Total (C) | | |
| | | | | | | | | | | |
| Hickory Point, (Forsyth)Decatur, IL | 32,731 | 10,732 | 31,728 | 41 | | 10,732 | 31,769 | 42,501 | 2,687 | 2005 |
| Honey Creek Mall, Terre Haute, IN | 33,159 | 3,108 | 83,358 | 1,178 | | 3,108 | 84,536 | 87,644 | 6,808 | 2004 |
| JC Penney Store, Maryville, TN (E) | | | 2,650 | | | | 2,650 | 2,650 | 1,480 | 1983 |
| Janesville Mall, Janesville, WI | 12,001 | 8,074 | 26,009 | 3,188 | | 8,074 | 29,197 | 37,271 | 7,265 | 1998 |
| Jefferson Mall, Louisville, KY | 41,695 | 13,125 | 40,234 | 13,748 | | 13,125 | 53,982 | 67,107 | 7,831 | 2001 |
| The Lakes Mall, Muskegon, MI (E) | | 3,328 | 42,366 | 9,129 | | 3,328 | 51,495 | 54,823 | 11,327 | 2000 -2001 |
| Lakeshore Mall, Sebring, FL (E) | | 1,443 | 28,819 | 4,103 | (169) | 1,274 | 32,922 | 34,196 | 11,661 | 1991 -1992 |
| Laurel Park Place, Livonia, MI | 58,120 | 13,289 | 92,579 | 1,258 | | 13,289 | 93,837 | 107,126 | 5,844 | 2005 |
| Layton Hills Mall, Layton, UT | | 20,464 | 99,836 | 1,074 | (275) | 20,189 | 100,910 | 121,099 | 5,266 | 2005 |
| Madison Square, Huntsville, AL (E) | | 17,596 | 39,186 | 17,385 | 717 | 18,313 | 56,571 | 74,884 | 7,020 | 1984 |
| Mall del Norte, Laredo, TX | 113,400 | 21,734 | 142,049 | 7,376 | | 21,734 | 149,425 | 171,159 | 9,977 | 2004 |
| Mall of Acadiana, Lafayette, LA | | 22,511 | 145,769 | 789 | | 22,511 | 146,558 | 169,069 | 11,041 | 2005 |
| Meridian Mall, Lansing, MI | 88,743 | 529 | 103,678 | 55,461 | | 2,232 | 157,436 | 159,668 | 32,556 | 1998 |
| Midland Mall, Midland, MI | 37,850 | 10,321 | 29,429 | 6,361 | | 10,321 | 35,790 | 46,111 | 6,406 | 2001 |
| Monroeville Mall, Pittsburgh, PA | 129,759 | 21,217 | 177,214 | 10,085 | | 21,263 | 187,253 | 208,516 | 12,657 | 2004 |
| Northpark Mall, Joplin, MO | 40,404 | 9,977 | 65,481 | 18,433 | | 10,962 | 82,929 | 93,891 | 5,283 | 2004 |
| Northwoods Mall, Charleston, SC | 59,695 | 14,867 | 49,647 | 16,152 | (777) | 14,090 | 65,799 | 79,889 | 9,508 | 2001 |
| Oak Hollow Mall, High Point, NC | 41,459 | 5,237 | 54,775 | 3,419 | | 5,237 | 58,194 | 63,431 | 19,086 | 1994 -1995 |
| Oak Park Mall, Overland Park, KS | 276,122 | 23,119 | 318,759 | (239) | | 23,119 | 318,520 | 341,639 | 11,713 | 2005 |
| Old Hickory Mall, Jackson, TN | 33,062 | 15,527 | 29,413 | 4,074 | | 15,527 | 33,487 | 49,014 | 5,397 | 2001 |
| Panama City Mall, Panama City, FL | 38,808 | 9,017 | 37,454 | 11,624 | | 12,168 | 45,927 | 58,095 | 5,857 | 2002 |
| Parkdale Mall, Beaumont, TX | 52,961 | 20,723 | 47,390 | 30,604 | (307) | 20,416 | 77,994 | 98,410 | 11,173 | 2001 |
| Park Plaza Mall, Little Rock, AR | 44,894 | 6,297 | 81,638 | 27,759 | | 6,304 | 109,390 | 115,694 | 6,229 | 2004 |
| Pemberton Square, Vicksburg, MS | | 1,191 | 14,305 | 577 | (947) | 244 | 14,882 | 15,126 | 7,001 | 1986 |
| Post Oak Mall, College Station, TX (E) | | 3,936 | 48,948 | 275 | (327) | 3,608 | 49,224 | 52,832 | 16,216 | 1984 -1985 |
| Randolph Mall, Asheboro, NC | 14,417 | 4,547 | 13,927 | 7,118 | | 4,547 | 21,045 | 25,592 | 3,241 | 2001 |

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Schedule III

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

At December 31, 2006

(In thousands)

| Description /Location | Initial Cost (A) | | | | Carried at Close of Period | | | | Accumulated Depreciation (D) | Date of Construction / Acquisition |
|---|---------------------|--------|----------------------------------|---|-------------------------------|----------------------------------|--------------|-----------|------------------------------------|--|
| | Encumbrances (B) | Land | Buildings and Improvements | Costs Capitalized Subsequent to Acquisition | Sales of Outparcel Land | Buildings and Improvements | | Total (C) | | |
| | | | | | | Land | Improvements | | | |
| Regency Mall, Racine, WI | 32,694 | 3,384 | 36,839 | 13,609 | | 4,188 | 49,644 | 53,832 | 8,391 | 2001 |
| Richland Mall, Waco, TX (E) | | 9,874 | 35,238 | 5,103 | | 9,887 | 40,328 | 50,215 | 5,229 | 2002 |
| Rivergate Mall, Nashville, TN | 68,100 | 17,896 | 86,767 | 17,003 | | 17,896 | 103,770 | 121,666 | 23,613 | 1998 |
| River Ridge Mall, Lynchburg, VA | | 4,824 | 59,052 | 935 | | 4,825 | 59,986 | 64,811 | 7,378 | 2003 |
| Southaven Town Center, Southaven, MS | 46,000 | 8,255 | 29,380 | 2,433 | | 8,255 | 31,813 | 40,068 | 1,536 | 2005 |
| Southpark Mall, Colonial Heights, VA | 38,905 | 9,501 | 73,262 | 3,573 | | 9,503 | 76,833 | 86,336 | 8,013 | 2003 |
| Stroud Mall, Stroudsburg, PA | 30,931 | 14,711 | 23,936 | 9,553 | | 14,711 | 33,489 | 48,200 | 7,161 | 1998 |
| St. Clair Square, Fairview Heights, IL | 63,769 | 11,027 | 75,620 | 27,467 | | 11,027 | 103,087 | 114,114 | 22,922 | 1996 |
| Sunrise Mall, Brownsville, TX (E) | | 11,156 | 59,047 | 3,523 | | 11,156 | 62,570 | 73,726 | 8,456 | 2003 |
| Towne Mall, Franklin, OH (E) | | 3,101 | 17,033 | 849 | (641) | 2,460 | 17,882 | 20,342 | 3,137 | 2001 |
| Turtle Creek Mall, Hattiesburg, MS | | 2,345 | 26,418 | 8,553 | | 3,535 | 33,781 | 37,316 | 12,974 | 1993 -1995 |
| Twin Peaks Mall, Longmont, CO (E) | | 1,874 | 22,022 | 20,304 | (46) | 1,828 | 42,326 | 44,154 | 18,821 | 1984 |
| Valley View Mall, Roanoke, VA | 48,263 | 15,985 | 77,771 | 4,195 | | 15,987 | 81,964 | 97,951 | 12,177 | 2003 |
| Volusia Mall, Daytona, FL | 55,211 | 2,526 | 120,242 | 2,678 | | 2,526 | 122,920 | 125,446 | 9,326 | 2004 |
| Walnut Square, Dalton, GA (E) | | 50 | 15,138 | 6,745 | | 50 | 21,883 | 21,933 | 11,604 | 1984 -1985 |
| Wausau Center, Wausau, WI | 12,543 | 5,231 | 24,705 | 14,023 | (5,231) | | 38,728 | 38,728 | 5,172 | 2001 |
| West Towne Mall, Madison, WI | 111,190 | 9,545 | 83,084 | 32,023 | | 9,545 | 115,107 | 124,652 | 15,883 | 2002 |
| WestGate Mall, Spartanburg, SC | 51,791 | 2,149 | 23,257 | 41,608 | (431) | 1,743 | 64,840 | 66,583 | 19,944 | 1995 |
| Westmoreland Mall, Greensburg, PA | 77,997 | 4,621 | 84,215 | 12,010 | | 4,621 | 96,225 | 100,846 | 11,107 | 2002 |
| York Galleria, York, PA | 49,442 | 5,757 | 63,316 | 4,125 | | 5,757 | 67,441 | 73,198 | 13,339 | 1995 |
| ASSOCIATED CENTERS: | | | | | | | | | | |
| Annex at Monroeville, Monroeville, PA | | 716 | 29,496 | 22 | | 717 | 29,517 | 30,234 | 2,227 | 2004 |
| Bonita Lakes Crossing, Meridian, MS | 7,840 | 794 | 4,786 | 8,037 | | 794 | 12,823 | 13,617 | 2,736 | 1997 |
| Chapel Hill Suburban, Akron, OH | | 925 | 2,520 | 1,127 | | 925 | 3,647 | 4,572 | 339 | 2004 |

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Schedule III

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

At December 31, 2006

(In thousands)

| Description /Location | Initial Cost (A) | | | | Gross Amounts at Which Carried at Close of Period | | | Accumulated Depreciation (D) | Date of Construction / Acquisition | |
|---|------------------|-------|----------------------------|---|---|-------|----------------------------|------------------------------|------------------------------------|------------|
| | Encumbrances (B) | Land | Buildings and Improvements | Costs Capitalized Subsequent to Acquisition | Sales of Outparcel Land | Land | Buildings and Improvements | | | Total (C) |
| | | | | | | | | | | |
| CoolSprings Crossing, Nashville, TN (E) Courtyard at Hickory Hollow, | | 2,803 | 14,985 | 4,418 | | 3,554 | 18,652 | 22,206 | 6,869 | 1991 -1993 |
| Nashville, TN The District at Monroeville, | 3,923 | 3,314 | 2,771 | 420 | | 3,314 | 3,191 | 6,505 | 639 | 1998 |
| Monroeville, PA Eastgate Crossing, Cincinnati, OH | | 932 | 18,102 | 755 | | 934 | 18,855 | 19,789 | 1,430 | 2004 |
| Foothills Plaza, Maryville, TN (E) Foothills Plaza Expansion, | 9,753 | 707 | 2,424 | 862 | | 707 | 3,286 | 3,993 | 428 | 2001 |
| Maryville, TN Frontier Square, Cheyenne, WY (E) | | 132 | 2,132 | 627 | | 148 | 2,743 | 2,891 | 1,482 | 1984 -1988 |
| General Cinema, Athens, GA (E) Gunbarrel Pointe, Chattanooga, TN (E) | | 137 | 1,960 | 240 | | 141 | 2,196 | 2,337 | 980 | 1984 -1988 |
| Hamilton Corner, Chattanooga, TN Hamilton Crossing, Chattanooga, TN | | 346 | 684 | 236 | (86) | 260 | 920 | 1,180 | 416 | 1985 |
| Harford Annex, Bel Air, MD (E) The Landing at Arbor Place, | | 100 | 1,082 | 177 | | 100 | 1,259 | 1,359 | 847 | 1984 |
| Douglasville, GA Layton Convenience Center, | | 4,170 | 10,874 | 244 | | 4,170 | 11,118 | 15,288 | 1,747 | 2000 |
| Layton Hills, UT Madison Plaza, Huntsville, AL (E) | 1,745 | 1,740 | 5,532 | 7,925 | (226) | 1,514 | 13,457 | 14,971 | 2,876 | 1986 -1987 |
| The Plaza at Fayette Mall, | | 4,014 | 5,906 | 5,013 | (1,370) | 2,644 | 10,919 | 13,563 | 2,770 | 1987 |
| Lexington, KY | | 2,854 | 9,718 | 7 | | 2,854 | 9,725 | 12,579 | 730 | 2003 |
| | 8,449 | 4,993 | 14,330 | 467 | (734) | 4,259 | 14,797 | 19,056 | 3,698 | 1998 -1999 |
| | | | 10 | 21 | | | 31 | 31 | | 2005 |
| | | 473 | 2,888 | 1,014 | | 473 | 3,902 | 4,375 | 1,725 | 1984 |
| | 31,516 | 9,531 | 27,646 | | | 9,531 | 27,646 | 37,177 | 40 | 2006 |
| | 8,362 | 2,994 | 7,408 | 1,922 | (355) | 2,639 | 9,330 | 11,969 | 955 | 2002 |

Parkdale Crossing, Beaumont,
TX

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Schedule III

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

At December 31, 2006

(In thousands)

| Description /Location | Initial Cost (A) | | | | Gross Amounts at Which Carried at Close of Period | | | Accumulated Depreciation (D) | Date of Construction / Acquisition | |
|---|---------------------|-------------------|----------------------------|---|---|-------------------|----------------------------|------------------------------|------------------------------------|-----------|
| | Encumbrances (B) | Land | Buildings and Improvements | Costs Capitalized and Subsequent to Acquisition | Sales of Outparcel Land | Land | Buildings and Improvements | | | Total (C) |
| | | | | | | | | | | |
| The Shoppes at Hamilton Place, Chattanooga, TN | | 4,894 | 11,700 | 26 | | 4,894 | 11,726 | 16,620 | 1,074 | 2003 |
| Sunrise Commons, Brownsville, TX (E) | | 1,013 | 7,525 | (149) | | 1,013 | 7,376 | 8,389 | 686 | 2003 |
| The Shoppes at Panama City, Panama City, FL | | 1,010 | 8,202 | 92 | | 1,010 | 8,294 | 9,304 | 563 | 2004 |
| The Terrace, Chattanooga, TN | | 4,166 | 9,929 | 14 | | 4,166 | 9,943 | 14,109 | 2,488 | 1997 |
| Village at Rivergate, Nashville, TN | 3,217 | 2,641 | 2,808 | 2,875 | | 2,641 | 5,683 | 8,324 | 1,008 | 1998 |
| West Towne Crossing, Madison, WI | | 1,151 | 2,955 | | | 1,151 | 2,955 | 4,106 | 400 | 1998 |
| WestGate Crossing, Spartanburg, SC | 9,382 | 1,082 | 3,422 | 5,721 | | 1,082 | 9,143 | 10,225 | 3,004 | 1997 |
| Westmoreland South, Greensburg, PA | | 2,898 | 21,167 | 6,065 | | 2,898 | 27,232 | 30,130 | 2,433 | 2002 |
| COMMUNITY CENTERS AND | | | | | | | | | | |
| OFFICE BUILDING: | | | | | | | | | | |
| CBL Center, Chattanooga, TN | 14,153 | 140 | 24,675 | 858 | | 140 | 25,533 | 25,673 | 6,421 | 2001 |
| Chicopee Marketplace, Chicopee, MA | | 4,341 | 14,491 | (12,828) | (4,244) | 97 | 1,663 | 1,760 | 92 | 2005 |
| Lakeview Pointe, Stillwater, OK | 17,947 | 3,730 | 19,513 | | (332) | 3,398 | 19,513 | 22,911 | 93 | 2006 |
| Massard Crossing, Ft. Smith, AZ | 5,727 | 2,879 | 5,176 | 71 | | 2,879 | 5,247 | 8,126 | 688 | 2004 |
| Pemberton Plaza, Vicksburg, MS | 1,957 | 1,284 | 1,379 | 16 | | 1,284 | 1,395 | 2,679 | 172 | 2004 |
| The Shops at Pineda Ridge, Melbourne, FL | | 417 | 5,500 | | | 417 | 5,500 | 5,917 | 11 | 2006 |
| Willowbrook Plaza, Houston, TX | 29,304 | 15,079 | 27,376 | 364 | | 15,079 | 27,740 | 42,819 | 3,574 | 2004 |
| OTHER | | 467 | 833 | 623 | | 467 | 1,456 | 1,923 | 775 | |
| TOTALS | \$ 3,698,983 | \$ 788,364 | \$ 4,944,899 | \$ 1,015,525 | \$ (24,585) | \$ 779,727 | \$ 5,944,476 | \$ 6,724,203 | \$924,297 | |

Schedule III

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

At December 31, 2006

(In thousands)

| Description /Location | Initial Cost (A) | | | | Gross Amounts at Which Carried at Close of Period | | | | Accumulated Depreciation (D) | Date of Construction / Acquisition | |
|--|---------------------|-------------------|----------------------------|--------------------------------|---|-------------------------|----------------------------|---------------------|------------------------------|------------------------------------|-----------|
| | Encumbrances (B) | Land | | Buildings and Improvements (F) | Costs Capitalized Subsequent Acquisition | Sales of Outparcel Land | Buildings and Improvements | | | | Total (C) |
| | | Land | Buildings and Improvements | | | | Land | Improvements | | | |
| Developments in Progress Consisting of Construction and Development Properties (F) | 873,302 | | | | | | | 294,345 | | | |
| TOTALS | \$ 4,564,535 | \$ 788,490 | \$ 4,963,001 | \$ 997,297 | \$ (24,585) | \$ 779,727 | \$ 5,944,476 | \$ 7,018,548 | \$924,297 | | |

(A) Initial cost represents the total cost capitalized including carrying cost at the end of the first fiscal year in which the property opened or was acquired.

(B) Encumbrances represent the mortgage notes payable balance at December 31, 2006.

(C) The aggregate cost of land and buildings and improvements for federal income tax purposes is approximately \$5,283 million.

(D) Depreciation for all properties is computed over the useful life which is generally 40 years for buildings, 10-20 years for certain improvements and 7 to 10 years for equipment and fixtures.

(E) Property is pledged as collateral on the secured lines of credit used for developments and acquisitions.

(F) Includes non-property mortgages and credit line mortgages.

(G) Additionally, the Company holds a B-Note in the amount of \$7.75 million on Eastgate Mall.

CBL & ASSOCIATES PROPERTIES, INC.

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

The changes in real estate assets and accumulated depreciation for the years ending December 31, 2006, 2005, and 2004 are set forth below (in thousands):

| | Year Ended December 31, | | |
|--|--------------------------------|--------------|--------------|
| | 2006 | 2005 | 2004 |
| REAL ESTATE ASSETS: | | | |
| Balance at beginning of period | \$ 6,672,335 | \$ 5,470,244 | \$ 4,379,834 |
| Additions during the period: | | | |
| Additions and improvements | 469,558 | 376,319 | 222,233 |
| Acquisitions of real estate assets | | 916,769 | 954,528 |
| Consolidation of real estate assets as a result of FIN 46(R) | | | 52,860 |
| Deductions during the period: | | | |
| Cost of sales and retirements | (121,984) | (87,869) | (121,598) |
| Accumulated depreciation on assets held for sale (A) | (438) | (1,539) | (5,093) |
| Accumulated depreciation on impaired assets (B) | | | (5,840) |
| Loss on impairment of real estate assets (C) | | (1,029) | (2,966) |
| Abandoned projects | (923) | (560) | (3,714) |
| Balance at end of period | \$ 7,018,548 | \$ 6,672,335 | \$ 5,470,244 |
| ACCUMULATED DEPRECIATION: | | | |
| Balance at beginning of period | 727,907 | \$ 575,464 | \$ 467,614 |
| Depreciation expense | 209,875 | 169,240 | 134,146 |
| Consolidation of real estate assets as a result of FIN 46(R) | | | 1,988 |
| Accumulated depreciation on assets held for sale (A) | (438) | (1,539) | (5,093) |
| Accumulated depreciation on impaired assets (B) | | | (5,840) |
| Real estate assets sold or retired | (13,047) | (15,258) | (17,351) |
| Balance at end of period | \$ 924,297 | \$ 727,907 | \$ 575,464 |

- (A) Reflects the reclassification of accumulated depreciation against the cost of the assets to reflect assets held for sale at net carrying value.
 (B) Reflects the write-off of accumulated depreciation against the cost of the assets to establish a new cost basis for assets that were determined to be impaired.
 (C) Represents loss on impairment recorded to reduce the carrying values of impaired assets to their estimated fair values.

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SCHEDULE IV

CBL & ASSOCIATES PROPERTIES, INC.

MORTGAGE NOTES RECEIVABLE ON REAL ESTATE

AT DECEMBER 31, 2006

(In thousands)

| Name Of Center/Location | Interest Rate | Final Maturity Date | Monthly Payment Amount (1) | Balloon Payment At Maturity | Prior Liens | Face Amount Of Mortgages | Carrying Amount Of Mortgage(2) | Principal |
|--|---------------|-------------------------|----------------------------|-----------------------------|-------------|--------------------------|--------------------------------|-----------|
| | | | | | | | | Amount |
| FIRST MORTGAGES: | | | | | | | | |
| Coastal Grand-Myrtle Beach | 7.75 | % Oct-2014 | \$ 58 | (3) | \$ 9,000 | None | \$ 9,000 | \$ 9,000 |
| Gaston Square | 7.50 | % Jun-2019 | 16 | | | None | 1,870 | 1,492 |
| Park Place | 7.00 | % Apr-2007 | 24 | | 2,659 | None | 3,118 | 2,691 |
| Signal Hills Crossing | 7.50 | % Jun-2019 | 14 | | | None | 1,415 | 1,327 |
| Statesville, NC | | | | | | | | 14 |
| Village Square | | | | | | | | |
| Houghton Lake, MI and Village at Wexford | | | | | | | | |
| Cadillac, MI | 5.00 | % Mar-2007 | 10 | (3) | 2,627 | None | 2,627 | 2,627 |
| Cobblestone @ Royal Palm | | | | | | | | |
| Palm Coast, FL | 7.37 | % Dec-2009 Feb-2007/ | 11 | | 1,737 | None | 1,737 | 1,737 |
| OTHER | 6.00%-10.00% | Jan-2047 | 30 | | 1,833 | | 8,316 | 2,685 |
| | | | \$ 163 | | \$ 17,856 | | \$ 28,083 | \$ 21,559 |
| | | | | | | | | \$ 30 |

- (1) Equal monthly installments comprised of principal and interest unless otherwise noted.
- (2) The aggregate carrying value for federal income tax purposes was \$21,559 at December 31, 2006
- (3) Payment represents interest only.

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The changes in mortgage notes receivable for the years ending December 31, 2006, 2005, and 2004 were as follows (in thousands):

| | Year Ended December 31, | | |
|-------------------|--------------------------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| Beginning balance | \$ 18,117 | \$ 27,804 | \$ 36,169 |
| Additions | 3,666 | 3,486 | 9,225 |
| Payments | (224) | (13,173) | (17,590) |
| Ending balance | \$ 21,559 | \$ 18,117 | \$ 27,804 |

EXHIBIT INDEX

Exhibit

| <u>Number</u> | <u>Description</u> |
|----------------------|---|
| 3.1 | Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company, dated May 10, 2005 (q) |
| 3.2 | Amended and Restated Certificate of Incorporation of the Company, as amended through May 10, 2005 (q) |
| 3.3 | Amended and Restated Bylaws of the Company, dated October 27, 1993(a) |
| 4.1 | See Amended and Restated Certificate of Incorporation of the Company, as amended, and Amended and Restated Bylaws of the Company relating to the Common Stock, Exhibits 3.1, 3.2 and 3.3 above |
| 4.2 | Certificate of Designations, dated June 25, 1998, relating to the 9.0% Series A Cumulative Redeemable Preferred Stock (f) |
| 4.3 | Certificate of Designation, dated April 30, 1999, relating to the Series 1999 Junior Participating Preferred Stock (f) |
| 4.4 | Terms of Series J Special Common Units of the Operating Partnership, pursuant to Article 4.4 of the Second Amended and Restated Partnership Agreement of the Operating Partnership (f) |
| 4.5 | Certificate of Designations, dated June 11, 2002, relating to the 8.75% Series B Cumulative Redeemable Preferred Stock (g) |
| 4.6 | Acknowledgement Regarding Issuance of Partnership Interests and Assumption of Partnership Agreement (i) |
| 4.7 | Certificate of Designations, dated August 13, 2003, relating to the 7.75% Series C Cumulative Redeemable Preferred Stock (h) |
| 4.8 | Certificate of Correction of the Certificate of Designations relating to the 7.75% Series C Cumulative Redeemable Preferred Stock (l) |
| 4.9 | Certificate of Designations, dated December 10, 2004, relating to the 7.375% Series D Cumulative Redeemable Preferred Stock (l) |
| 4.10 | Terms of the Series S Special Common Units of the Operating Partnership, pursuant to the Third Amendment to the Second Amended and Restated Partnership Agreement of the Operating Partnership (m) |
| 4.11 | Terms of the Series L Special Common Units of the Operating Partnership, pursuant to the Fourth Amendment to the Second Amended and Restated Partnership Agreement of the Operating Partnership (q) |
| 4.12 | Terms of the Series K Special Common Units of the Operating Partnership, pursuant to the First Amendment to the Third Amended and Restated Partnership Agreement of the Operating Partnership (t) |

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| | |
|---------|--|
| 10.1.1 | Fourth Amendment to the Second Amended and Restated Partnership Agreement of the Operating Partnership, dated as of June 1, 2005 (q) |
| 10.1.2 | Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated June 15, 2005 (p) |
| 10.1.3 | First Amendment to Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of November 16, 2005 (t) |
| 10.2.1 | Rights Agreement by and between the Company and BankBoston, N.A., dated as of April 30, 1999 (c) |
| 10.2.2 | Amendment No. 1 to Rights Agreement by and between the Company and SunTrust Bank (successor to BankBoston), dated January 31, 2001 (f) |
| 10.3 | Property Management Agreement between the Operating Partnership and the Management Company (a) |
| 10.4 | Property Management Agreement relating to Retained Properties (a) |
| 10.5.1 | CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan (j) |
| 10.5.2 | Form of Non-Qualified Stock Option Agreement for all participants (i) |
| 10.5.3 | Form of Stock Restriction Agreement for restricted stock awards (i) |
| 10.5.4 | Deferred Compensation Arrangement, dated January 1, 1997, for Eric P. Snyder (i) |
| 10.5.5 | Form of Stock Restriction agreement for restricted stock awards with annual installment vesting (j) |
| 10.5.6 | Amendment No. 1 to CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan (m) |
| 10.5.7 | Amendment No. 2 to CBL & Associates Properties, Inc. Amended and Restated Stock Incentive Plan (m) |
| 10.5.8 | Form of Senior Executive Deferred Compensation Arrangements, dated as of January 1, 2004, between the Company and Charles B. Lebovitz, Stephen D. Lebovitz, John N. Foy and Ben Landress (v) |
| 10.5.9 | Form of Stock Restriction Agreement for restricted stock awards in 2004 and subsequent years (o) |
| 10.5.10 | Letter amending Deferred Compensation Arrangement for Eric P. Snyder, dated October 24, 2005 (r) |
| 10.5.11 | Form of Stock Restriction Agreement for 2006 restricted stock awards (w) |
| 10.6 | Form of Indemnification Agreements between the Company and the Management Company and their officers and directors (a) |

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| | |
|---------|---|
| 10.7.1 | Employment Agreement for Charles B. Lebovitz (a) |
| 10.7.2 | Employment Agreement for John N. Foy (a) |
| 10.7.3 | Employment Agreement for Stephen D. Lebovitz (a) |
| 10.7.4 | Summary Description of CBL & Associates Properties, Inc. Director Compensation Arrangements |
| 10.7.5 | Summary Description of May 9, 2005 Compensation Committee Action Confirming 2005 Executive Base Salary Levels (q) |
| 10.7.6 | Summary Description of May 9, 2005 Compensation Committee Action Approving 2005 Executive Bonus Opportunities (q) |
| 10.7.7 | Summary Description of October 26, 2005 Compensation Committee Action Approving 2006 Executive Base Salary Levels (v) |
| 10.7.8 | Summary Description of October 26, 2005 Compensation Committee Action Approving Adjustments to 2005 Executive Bonus Opportunities (v) |
| 10.7.9 | Summary Description of May 9, 2005 Compensation Committee Action Approving 2006 Executive Bonus Opportunities (v) |
| 10.7.10 | Summary Description of November 1, 2006 Compensation Committee Action Approving 2007 Executive Base Salary Levels (bb) |
| 10.7.11 | Summary Description of November 1, 2006 Compensation Committee Action Approving 2007 Executive Bonus Opportunities (bb) |
| 10.8 | Subscription Agreement relating to purchase of the Common Stock and Preferred Stock of the Management Company (a) |
| 10.9.1 | Option Agreement relating to certain Retained Properties (a) |
| 10.9.2 | Option Agreement relating to Outparcels (a) |
| 10.10.1 | Property Partnership Agreement relating to Hamilton Place (a) |
| 10.10.2 | Property Partnership Agreement relating to CoolSprings Galleria (a) |
| 10.11.1 | Acquisition Option Agreement relating to Hamilton Place (a) |
| 10.11.2 | Acquisition Option Agreement relating to the Hamilton Place Centers (a) |
| 10.12.1 | Unsecured Credit Agreement by and among the Operating Partnership and Wells Fargo Bank, N.A., et al., dated as of August 27, 2004 (k) |
| 10.12.2 | First Amendment to Unsecured Credit Agreement by and among the Operating Partnership and Wells Fargo Bank, N.A., et al., dated as of September 21, 2005 (s) |

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- 10.12.3 Second Amendment to Unsecured Credit Agreement by and among the Operating Partnership and Wells Fargo Bank, N.A., et al., dated as of February 14, 2006 (v)
- 10.12.4 Amended and Restated Unsecured Credit Agreement by and among the Operating Partnership and the Company, and Wells Fargo Bank, National Association, et al., dated as of August 22, 2006 (y)
- 10.13 Loan agreement between Rivergate Mall Limited Partnership, The Village at Rivergate Limited Partnership, Hickory Hollow Mall Limited Partnership, and The Courtyard at Hickory Hollow Limited Partnership and Midland Loan Services, Inc., dated July 1, 1998 (b)
- 10.14.1 Master Contribution Agreement, dated as of September 25, 2000, by and among the Company, the Operating Partnership and the Jacobs entities (d)
- 10.14.2 Amendment to Master Contribution Agreement, dated as of September 25, 2000, by and among the Company, the Operating Partnership and the Jacobs entities (u)
- 10.15.1 Share Ownership Agreement by and among the Company and its related parties and the Jacobs entities, dated as of January 31, 2001 (e)
- 10.15.2 Voting and Standstill Agreement dated as of September 25, 2000 (u)
- 10.15.3 Amendment, effective as of January 1, 2006, to Voting and Standstill Agreement dated as of September 25, 2000 (v)
- 10.16.1 Registration Rights Agreement by and between the Company and the Holders of SCU s listed on Schedule A thereto, dated as of January 31, 2001 (e)
- 10.16.2 Registration Rights Agreement by and between the Company and Frankel Midland Limited Partnership, dated as of January 31, 2001 (e)
- 10.16.3 Registration Rights Agreement by and between the Company and Hess Abroms Properties of Huntsville, dated as of January 31, 2001 (e)
- 10.16.4 Registration Rights Agreement by and between the Company and the Holders of Series S Special Common Units of the Operating Partnership listed on Schedule A thereto, dated July 28, 2004 (m)
- 10.16.5 Form of Registration Rights Agreements between the Company and Certain Holders of Series K Special Common Units of the Operating Partnership, dated as of November 16, 2005 (t)
- 10.17.1 Sixth Amended and Restated Credit Agreement by and among the Operating Partnership and Wells Fargo Bank, National Association, et al., dated February 28, 2003 (m)
- 10.17.2 First Amendment to Sixth Amended and Restated Credit Agreement between the Operating Partnership and Wells Fargo Bank, National Association, et al., dated May 3, 2004 (m)

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- 10.17.3 Second Amendment to Sixth Amended and Restated Credit Agreement between the Operating Partnership and Wells Fargo Bank, National Association, et al., dated September 21, 2005 (s)
- 10.17.4 Third Amendment to Sixth Amended and Restated Credit Agreement between the Operating Partnership and Wells Fargo Bank, National Association, et al., dated February 14, 2006 (v)
- 10.17.5 Fourth Amendment to Sixth Amended and Restated Credit Agreement between CBL & Associates Limited Partnership and Wells Fargo Bank, National Association, et al., dated August 29, 2006 (z)
- 10.18.1 Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore Sebring Limited Partnership and First Tennessee Bank National Association, dated December 30, 2004 (m)
- 10.18.2 Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore Sebring Limited Partnership and First Tennessee Bank National Association, dated July 29, 2004 (m)
- 10.18.3 Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore/Sebring Limited Partnership and First Tennessee Bank National Association, dated March 9, 2005 (m)
- 10.18.4 Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore/Sebring Limited Partnership and First Tennessee Bank National Association, dated March 9, 2005 (n)
- 10.18.5 Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore/Sebring Limited Partnership and First Tennessee Bank National Association, dated December 16, 2005 (v)
- 10.18.6 Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore/Sebring Limited Partnership and First Tennessee Bank National Association, dated June 6, 2006 (x)
- 10.19 Amended and Restated Limited Liability Company Agreement of JG Gulf Coast Town Center LLC by and between JG Gulf Coast Member LLC, an Ohio limited liability company and CBL/Gulf Coast, LLC, a Florida limited liability company, dated April 27, 2005 (q)
- 10.20.1 Contribution Agreement and Joint Escrow Instructions between the Company and the owners of Oak Park Mall named therein, dated as of October 17, 2005 (t)
- 10.20.2 First Amendment to Contribution Agreement and Joint Escrow Instructions between the Company and the owners of Oak Park Mall named therein, dated as of November 8, 2005 (t)
- 10.20.3 Contribution Agreement and Joint Escrow Instructions between the Company and the owners of Eastland Mall named therein, dated as of October 17, 2005 (t)

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- 10.20.4 First Amendment to Contribution Agreement and Joint Escrow Instructions between the Company and the owners of Eastland Mall named therein, dated as of November 8, 2005 (t)
- 10.20.5 Purchase and Sale Agreement and Joint Escrow Instructions between the Company and the owners of Hickory Point Mall named therein, dated as of October 17, 2005 (t)
- 10.20.6 Purchase and Sale Agreement and Joint Escrow Instructions between the Company and the owner of Eastland Medical Building, dated as of October 17, 2005 (t)
- 10.20.7 Letter Agreement, dated as of October 17, 2005, between the Company and the other parties to the acquisition agreements listed above for Oak Park Mall, Eastland Mall, Hickory Point Mall and Eastland Medical Building (t)
- 10.21.1 Master Transaction Agreement by and among REJ Realty LLC, JG Realty Investors Corp., JG Manager LLC, JG North Raleigh L.L.C., JG Triangle Peripheral South LLC, and the Operating Partnership, effective October 24, 2005 (v)
- 10.21.2 Amended and Restated Limited Liability Company Agreement of Triangle Town Member, LLC by and among CBL Triangle Town Member, LLC and REJ Realty LLC, JG Realty Investors Corp. and JG Manager LLC, effective as of November 16, 2005 (v)
- 12 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
- 14.1 Amended And Restated Code Of Business Conduct And Ethics Of CBL & Associates Properties, Inc., CBL & Associates Management, Inc. And Their Affiliates, as amended by the First Amendment thereto dated February 8, 2006 and the Second Amendment thereto dated September 6, 2006 (aa)
- 21 Subsidiaries of the Company
- 23 Consent of Deloitte & Touche LLP
- 24 Power of Attorney
- 31.1 Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- (a) Incorporated by reference to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (No. 33-67372), as filed with the Commission on January 27, 1994.*
- (b) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.*
- (c) Incorporated by reference to the Company's Current Report on Form 8-K, filed on May 4, 1999.*
- (d) Incorporated by reference from the Company's Current Report on Form 8-K/A, filed on October 27, 2000.*
- (e) Incorporated by reference from the Company's Current Report on Form 8-K, filed on February 6, 2001.*
- (f) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.*
- (g) Incorporated by reference from the Company's Current Report on Form 8-K, dated June 10, 2002, filed on June 17, 2002.*
- (h) Incorporated by reference from the Company's Registration Statement on Form 8-A, filed on August 21, 2003.*
- (i) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.*
- (j) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.*
- (k) Incorporated by reference from the Company's Current Report on Form 8-K, filed on October 21, 2004.*
- (l) Incorporated by reference from the Company's Registration Statement on Form 8-A, filed on December 10, 2004.*
- (m) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.*
- (n) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.*
- (o) Incorporated by reference from the Company's Current Report on Form 8-K, filed on May 13, 2005.*
- (p) Incorporated by reference from the Company's Current Report on Form 8-K, filed on June 21, 2005.*
- (q) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.*
- (r) Incorporated by reference from the Company's Current Report on Form 8-K, filed on October 28, 2005.*
- (s) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.*

(t) Incorporated by reference from the Company's Current Report on Form 8-K, filed on November 22, 2005.*

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- (u) Incorporated by reference from the Company's Proxy Statement dated December 19, 2000 for the Special Meeting of Shareholders held January 19, 2001.*
- (v) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.*
- (w) Incorporated by reference from the Company's Current Report on Form 8-K, filed on May 24, 2006.*
- (x) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.*
- (y) Incorporated by reference from the Company's Current Report on Form 8-K, filed on August 25, 2006.*
- (z) Incorporated by reference from the Company's Current Report on Form 8-K, filed on September 1, 2006.*
- (aa) Incorporated by reference from the Company's Current Report on Form 8-K, filed on September 12, 2006.*
- (bb) Incorporated by reference from the Company's Current Report on Form 8-K, filed on November 7, 2006.*

A management contract or compensatory plan or arrangement required to be filed pursuant to Item 15(b) of this report.

* Commission File No. 1-12494