

CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
May 09, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008

Or

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 001-12494

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of registrant as specified in its charter)

DELAWARE

62-1545718

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

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

(Address of principal executive office, including zip code)

423.855.0001

(Registrant's telephone number, including area code)

N/A

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

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller Reporting Company

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

Yes No

As of May 5, 2008, there were 66,320,709 shares of common stock, par value \$0.01 per share, outstanding.

CBL & Associates Properties, Inc.

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PART I – FINANCIAL INFORMATION**ITEM 1: Financial Statements****CBL & Associates Properties, Inc.****Condensed Consolidated Balance Sheets****(In thousands, except share data)**

(Unaudited)

	March 31, 2008		December 31, 2007
ASSETS			
Real estate assets:			
Land	\$ 868,233		\$ 917,578
Buildings and improvements	7,207,622		7,263,907
	8,075,855		8,181,485
Less accumulated depreciation	(1,157,209)		(1,102,767)
	6,918,646		7,078,718
Held for sale	161,298		—
Developments in progress	308,467		323,560
Net investment in real estate assets	7,388,411		7,402,278
Cash and cash equivalents	65,742		65,826
Cash held in escrow	2,640		—
Receivables:			
Tenant, net of allowance for doubtful accounts of \$1,209 in 2008 and \$1,126 in 2007	68,506		72,570
Other	11,233		10,257
Mortgage and other notes receivable	40,849		135,137
Investments in unconsolidated affiliates	195,397		142,550
Intangible lease assets and other assets	256,170		276,429
	\$ 8,028,948		\$ 8,105,047
LIABILITIES AND SHAREHOLDERS' EQUITY			
Mortgage and other notes payable	\$ 5,889,620		\$ 5,869,318
Accounts payable and accrued liabilities	363,043		394,884
Total liabilities	6,252,663		6,264,202
Commitments and contingencies (Notes 3,5 and 11)			
Minority interests	888,510		920,297
Shareholders' equity:			

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Preferred stock, \$.01 par value, 15,000,000 shares authorized:
7.75% Series C cumulative redeemable preferred stock,

460,000 shares outstanding in 2008 and 2007	5	5
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7.375% Series D cumulative redeemable preferred stock,

700,000 shares outstanding in 2008 and 2007	7	7
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Common stock, \$.01 par value, 180,000,000 shares authorized,

66,306,558 and 66,179,747 shares issued and outstanding
in 2008 and 2007, respectively

663	662
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Additional paid-in capital	999,468	990,048
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Accumulated other comprehensive loss	(12,329))	(20)
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Accumulated deficit	(100,039))	(70,154)
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Total shareholders' equity	887,775	920,548
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\$ 8,028,948	\$ 8,105,047
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The accompanying notes are an integral part of these balance sheets.

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

(Unaudited)

	Three Months Ended	
	March 31,	
	2008	2007
REVENUES:		
Minimum rents	\$ 172,032	\$ 154,249
Percentage rents	4,990	6,482
Other rents	5,011	4,415
Tenant reimbursements	86,279	77,671
Management, development and leasing fees	2,938	1,221
Other	7,029	4,980
Total revenues	278,279	249,018
EXPENSES:		
Property operating	48,024	43,065
Depreciation and amortization	73,616	56,608
Real estate taxes	23,855	20,646
Maintenance and repairs	17,718	15,291
General and administrative	12,531	10,197
Other	6,999	3,639
Total expenses	182,743	149,446
Income from operations	95,536	99,572
Interest and other income	2,727	2,745
Interest expense	(80,224)	(66,127)
Loss on extinguishment of debt	—	(227)
Gain on sales of real estate assets	3,076	3,530
Equity in earnings of unconsolidated affiliates	979	598
Income tax provision	(357)	(803)
Minority interest in earnings:		
Operating partnership	(4,742)	(13,563)
Shopping center properties	(6,049)	(730)
Income from continuing operations	10,946	24,995
Operating income of discontinued operations	680	103
Loss on discontinued operations	—	(55)
Net income	11,626	25,043
Preferred dividends	(5,455)	(7,642)
Net income available to common shareholders	\$ 6,171	\$ 17,401

Basic per share data:

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Income from continuing operations, net of preferred dividends	\$ 0.08	\$ 0.27
Discontinued operations	0.01	—
Net income available to common shareholders	\$ 0.09	\$ 0.27
Weighted average common shares outstanding	65,897	65,109
Diluted per share data:		
Income from continuing operations, net of preferred dividends	\$ 0.08	\$ 0.26
Discontinued operations	0.01	—
Net income available to common shareholders	\$ 0.09	\$ 0.26
Weighted average common and potential dilutive common shares outstanding	66,109	65,886
Dividends declared per common share	\$ 0.5450	\$ 0.5050

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.**Condensed Consolidated Statements of Cash Flows****(In thousands)**

(Unaudited)

Three Months Ended March 31,

	2008		2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 11,626		\$25,043
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	44,472		37,302
Amortization	33,504		21,348
Net amortization of debt premiums and discounts	(1,975)	)	(1,902)
Net amortization of above and below market leases	(2,597)	)	(2,930)
Gain on sales of real estate assets	(3,076)	)	(3,530)
Loss on discontinued operations	—		55
Write-off of development projects	1,713		48
Share-based compensation expense	1,588		2,126
Income tax benefit from share-based compensation	1,501		1,139
Loss on extinguishment of debt	—		227
Equity in earnings of unconsolidated affiliates	(979)	)	(598)
Distributions of earnings from unconsolidated affiliates	4,163		891
Minority interest in earnings	10,791		14,293
Changes in:			
Tenant and other receivables	3,013		7,442
Other assets	(5,357)	)	(5,188)
Accounts payable and accrued liabilities	(5,434)	)	2,548
Net cash provided by operating activities	92,953		98,314
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to real estate assets	(126,998)	)	(118,061)
Acquisitions of real estate assets and intangible lease assets	—		(7,545)
Cash placed in escrow	(2,640))	—
Purchases of available-for-sale securities	—		(18,652)
Proceeds from sales of real estate assets	6,187		11,581
Additions to mortgage notes receivable	(9,597)	)	(2,085)
Payments received on mortgage notes receivable	103,885		73
Additional investments in and advances to unconsolidated affiliates	(33,447)	)	(18,097)
Distributions in excess of equity in earnings of unconsolidated affiliates	13,370		1,205
Purchase of minority interests in shopping center properties	—		(8,007)
Purchase of minority interests in the Operating Partnership	—		(8,509)
Changes in other assets	674		4,707

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Net cash used in investing activities	(48,566)	(163,390)
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CBL & Associates Properties, Inc.**Condensed Consolidated Statements of Cash Flows****(In thousands)**

(Unaudited)

(Continued)

	Three Months Ended March 31,	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other notes payable	217,381	572,994
Principal payments on mortgage and other notes payable	(185,412))	(421,185))
Additions to deferred financing costs	(489))	(1,307))
Prepayment fees to extinguish debt	—	(227))
Proceeds from issuance of common stock	86	81
Proceeds from exercises of stock options	250	2,139
Income tax benefit from share-based compensation	(1,501))	(1,139))
Contributions from minority partners	203	—
Distributions to minority interests	(33,465))	(27,489))
Dividends paid to holders of preferred stock	(5,455))	(7,642))
Dividends paid to common shareholders	(36,069))	(33,038))
Net cash provided by (used in) financing activities	(44,471))	83,187
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84))	18,111
CASH AND CASH EQUIVALENTS, beginning of period	65,826	28,700
CASH AND CASH EQUIVALENTS, end of period	\$ 65,742	\$ 46,811
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 83,499	\$ 68,087

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Dollars in thousands, except share data)

Note 1 – Organization and Basis of Presentation

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, open-air centers 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”). At March 31, 2008, the Operating Partnership owned controlling interests in 75 regional malls/open-air centers, 28 associated centers (each adjacent to a regional mall), 13 community centers and 14 office buildings, including 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 nine regional malls/open-air centers, four associated centers, three community centers and six office buildings. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. The Operating Partnership had six mall expansions, two associated/lifestyle centers (one of which is owned in a joint venture), one mixed-use center and five community/open-air centers (four of which are owned in joint ventures) under construction at March 31, 2008. 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 March 31, 2008, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned a 55.1% limited partner interest for a combined interest held by CBL of 56.7%.

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 partner 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 limited partner interests 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 March 31, 2008, CBL’s Predecessor owned a 14.9% limited partner interest, Jacobs owned a 19.6% limited partner interest and third parties owned an 8.8% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 7.2 million shares of CBL’s common stock at March 31, 2008, for a total combined effective interest of 21.0% 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 common stock.

CBL, the Operating Partnership and the Management Company are collectively referred to herein as “the Company”.

The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America

("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Material intercompany transactions have been eliminated. The results for the interim period ended March 31, 2008, are not necessarily indicative of the results to be obtained for the full fiscal year.

Certain historical amounts have been reclassified to conform to the current year presentation. The financial results of certain properties are reported as discontinued operations in the condensed consolidated financial statements. Except where noted, the information presented in the Notes to Unaudited Condensed Consolidated Financial Statements excludes discontinued operations. See Note 6 for further discussion.

These condensed consolidated financial statements should be read in conjunction with CBL's audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2007.

Note 2 – Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. SFAS No. 161 requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format and provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. It also requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption is not expected to have an impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*, which requires that a noncontrolling interest in a consolidated subsidiary be displayed in the consolidated statement of financial position as a separate component of equity. After control is obtained, a change in ownership interests that does not result in a loss of control should be accounted for as an equity transaction. A change in ownership of a consolidated subsidiary that results in a loss of control and deconsolidation is a significant event that triggers gain or loss recognition, with the establishment of a new fair value basis in any remaining ownership interests. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact of adopting SFAS No. 160 on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which changes certain aspects of current business combination accounting. SFAS No. 141(R) requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and non-controlling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Shares issued as consideration for a business combination are to be measured at fair value on the acquisition date and contingent consideration arrangements are to be recognized at their fair values on the date of acquisition, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition gain and loss contingencies generally are to be recognized at their fair values on the acquisition date and any acquisition-related transaction costs are to be expensed as incurred. SFAS No. 141(R) is effective for business combination transactions for which the acquisition date is in a fiscal year

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beginning on or after December 15, 2008. The adoption of SFAS No. 141(R) is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 – Fair Value Measurements

In September 2006, 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. In February 2008, the FASB issued FASB Staff Position 157-2 which delays the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The Company adopted the provisions of SFAS No. 157 for financial assets and financial liabilities on January 1, 2008.

In accordance with SFAS No. 157, the Company has categorized its financial assets and financial liabilities that are recorded at fair value into a hierarchy based on whether the inputs to valuation techniques are observable or unobservable. The fair value hierarchy, as defined by SFAS No. 157, contains three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs represent quoted prices in active markets for identical assets and liabilities as of the measurement date.

Level 2 – Inputs, other than those included in Level 1, represent observable measurements for similar instruments in active markets, or identical or similar instruments in markets that are not active, and observable measurements or market data for instruments with substantially the full term of the asset or liability.

Level 3 – Inputs represent unobservable measurements, supported by little, if any, market activity, and require considerable assumptions that are significant to the fair value of the asset or liability. Market valuations must often be determined using discounted cash flow methodologies, pricing models or similar techniques based on the Company's assumptions and best judgment.

The following table sets forth information regarding the Company's financial instruments that are measured at fair value in the Condensed Consolidated Balance Sheet as of March 31, 2008:

	Fair Value At March 31, 2008	Fair Value Measurements at Reporting Date Using Quoted Prices in		
		Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	\$ 17,882	\$ 17,882	\$ —	\$ —

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Privately held debt and equity securities	4,875	—	—	4,875
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Liabilities:

Interest rate swaps	\$ 9,023	\$ —	\$ 9,023	\$ —
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Other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities that are classified as available for sale. Unrealized gains and losses on available-for-sale securities that are deemed to be temporary in nature are recorded as a component of accumulated other comprehensive loss in shareholders' equity. During the quarter ended March 31, 2008, the Company did not recognize any realized gains and losses or write-downs related to sales or disposals of marketable securities or

other-than-temporary impairments. The fair value of the Company's available-for-sale securities is based on quoted market prices and, thus, is classified under Level 1.

The Company uses interest rate swaps to mitigate the effect of interest rate movements on its variable-rate debt. The interest rate swaps are accounted for in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and related amendments. The Company currently has two interest rate swap agreements included in Accounts Payable and Accrued Liabilities that qualify as hedging instruments and are designated as cash flow hedges. The swaps have met the effectiveness test criteria since inception and changes in the fair values of the swaps are, thus, reported in other comprehensive income (loss) and will be reclassified into earnings in the same period or periods during which the hedged item affects earnings. The Company has engaged a third party firm to calculate the valuations for its interest rate swaps. The fair values of the Company's interest rate swaps, classified under Level 2, are determined using a proprietary model which is based on prevailing market data for contracts with matching durations, current and anticipated London Interbank Offered Rate ("LIBOR") rate information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions.

The Company holds a convertible note receivable from, and a warrant to acquire shares of Jinsheng Group, in which the Company also holds a cost-method investment. See Note 4 for additional information. The convertible note receivable is non-interest bearing and is secured by shares of the private entity. Since the convertible note receivable is non-interest bearing and there is no active market for the entity's debt, the Company performed an analysis on the note considering credit risk and discounting factors to determine the fair value. The warrant was valued using estimated share price and volatility variables in a Black Scholes model. Due to the significant estimates and assumptions used in the valuation of the note and warrant, the Company has classified these under Level 3. During the three months ended March 31, 2008, there was no change in the fair value of the note and warrant.

SFAS No. 157 requires separate disclosure of assets and liabilities measured at fair value on a recurring basis from those measured at fair value on a nonrecurring basis. As of March 31, 2008, no assets or liabilities were measured at fair value on a nonrecurring basis.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 on January 1, 2008, and has elected not to apply the fair value option.

Note 4 – Joint Ventures

Equity Method Investments

At March 31, 2008, the Company had investments in the following 19 entities, which are accounted for using the equity method of accounting:

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Joint Venture	Property Name	Company's	
		Interest	
Governor's Square IB	Governor's Plaza	50.0	%
Governor's Square Company	Governor's Square	47.5	%
High Pointe Commons, LP	High Pointe Commons	50.0	%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0	%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0	%
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.0	%
Mall of South Carolina L.P.	Coastal Grand—Myrtle Beach	50.0	%
Mall of South Carolina Outparcel L.P.	Coastal Grand—Myrtle Beach (vacant land)	50.0	%
Mall Shopping Center Company	Plaza del Sol	50.6	%
Parkway Place L.P.	Parkway Place	45.0	%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0	%
York Town Center, LP	York Town Center	50.0	%
JG Gulf Coast Town Center	Gulf Coast Town Center	50.0	%
CBL Brazil	Plaza Macae	60.0	%
CBL—TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center, Renaissance Center and a portfolio of six office buildings	50.0	%
West Melbourne I, LLC	Hammock Landing Phase I	50.0	%
West Melbourne II, LLC	Hammock Landing Phase II	50.0	%
Port Orange I, LLC	The Pavilion at Port Orange Phase I	50.0	%
Port Orange II, LLC	The Pavilion at Port Orange Phase II	50.0	%

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

	Total for the Three		Company's Share for the Three	
	Months Ended March 31,		Months Ended March 31,	
	2008	2007	2008	2007
Revenues	\$38,286	\$23,562	\$19,799	\$11,898
Depreciation and amortization expense	(13,000)	(6,896)	(6,677)	(3,504)
Interest expense	(13,006)	(8,317)	(6,626)	(4,192)
Other operating expenses	(11,343)	(7,656)	(5,946)	(3,873)
Gain on sales of real estate assets	472	538	429	269
Net income	\$1,409	\$1,231	\$979	\$598

Effective January 30, 2008, the Company entered into two 50/50 joint ventures, West Melbourne I, LLC and West Melbourne II, LLC, with certain affiliates of Benchmark Development ("Benchmark") to develop Hammock Landing, an open-air shopping center in West Melbourne, Florida that will be developed in two phases. The Company obtained its 50% interests in the joint ventures by contributing cash of \$9,685. The Company will develop and manage Hammock Landing. The joint venture's net cash flows and income (loss) will be allocated 50/50 to Benchmark and the Company. The Company records its investments in these joint ventures using the equity method of accounting.

Effective January 30, 2008, the Company entered into two 50/50 joint ventures, Port Orange I, LLC and Port Orange II, LLC, with Benchmark to develop the Pavilion at Port Orange (the "Pavilion"), an open-air shopping center in Port Orange, Florida that will be developed in two phases. The Company obtained its 50% interests in the joint ventures by contributing cash of \$13,812. The Company will develop and manage the

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Pavilion. The joint ventures' net cash flows and income (loss) will be allocated 50/50 to Benchmark and the Company. The Company records its investments in these joint ventures using the equity method of accounting.

During the first quarter of 2008, CBL-TRS Joint Venture, a joint venture that the Company accounts for using the equity method of accounting, completed its acquisition of properties from the Starmount Company when it acquired the Renaissance Center, located in Durham, NC, for \$89,639 and an anchor parcel at Friendly Center, located in Greensboro, NC, for \$5,000. The aggregate purchase price consisted of \$58,121 in cash and the assumption of \$36,518 of non-recourse debt that bears interest at a fixed interest rate of 5.61% and matures in July 2016.

Cost Method Investments

In February 2007, the Company acquired a 6.2% minority interest in subsidiaries of Jinsheng Group ("Jinsheng"), an established mall operating and real estate development company located in Nanjing, China, for \$10,125. As of March 31, 2008, Jinsheng owns controlling interests in four home decoration shopping centers, two general retail shopping centers and four development sites.

Jinsheng also issued to the Company a secured convertible promissory note in exchange for cash of \$4,875. The note is secured by 16,565,534 Series 2 Ordinary Shares of Jinsheng. The secured note is non-interest bearing and matures upon the earlier to occur of (i) January 22, 2012, (ii) the closing of the sale, transfer or other disposition of substantially all of Jinsheng's assets, (iii) the closing of a merger or consolidation of Jinsheng or (iv) an event of default, as defined in the secured note. In lieu of the Company's right to demand payment on the maturity date, at any time commencing upon the earlier to occur of January 22, 2010 or the occurrence of a Final Trigger Event, as defined in the secured note, the Company may, at its sole option, convert the outstanding amount of the secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng (which equates to a 2.275% ownership interest).

Jinsheng also granted the Company a warrant to acquire 5,461,165 Series A-3 Preferred Shares for \$1,875. The warrant expires upon the earlier of January 22, 2010 or the date that Jinsheng distributes, as a dividend, shares of Jinsheng's successor should Jinsheng complete an initial public offering.

The Company accounts for its minority interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng's shares since they are not publicly traded. The Company recorded the secured note at its estimated fair value of \$4,513, which reflects a discount of \$362 due to the fact that it is non-interest bearing. The discount is amortized to interest income over the term of the secured note using the effective interest method. The minority interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets. The Company recorded the warrant at its estimated fair value of \$362, which is included in other assets in the accompanying condensed consolidated balance sheets. There have been no significant changes to the fair values of the secured note and warrant.

During the first quarter of 2008, the Company became aware that a lender to Jinsheng had declared an event of default under its loan, claiming that the loan proceeds had been improperly advanced to a related party entity owned by Jinsheng's founder. As a result, the lender sought to exercise its rights to register ownership of the shares of Jinsheng that were pledged as collateral for the loan. Jinsheng's founder partially repaid the loan in April 2008 and obtained a release of a portion of the collateral. However, because he failed to pay the balance of the loan by its maturity date of April 30, 2008, the lender is once again seeking to exercise its rights with respect to the remaining collateral. Due to the uncertainty surrounding the final disposition of the pledged Jinsheng shares, the Company has determined that its investment may be potentially impaired. The Company and its fellow investor in Jinsheng are currently working with both the lender and Jinsheng's founder to negotiate a restructuring plan that would allow for the repayment of the loan and the settlement of the related party receivable. Based on information to date, the Company believes that implementation of a satisfactory restructuring plan will be achieved and has determined that any potential impairment would not be other than temporary.

Variable Interest Entities

In October 2006, the Company entered into a loan agreement with a third party under which the Company would 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 Company determined that its loan to the third party represented a variable interest in a variable interest entity and that the Company was the primary beneficiary. As a result, the Company consolidated this entity.

During the first quarter of 2008, the Company agreed to receive title to the underlying land in exchange for the full payment of the \$18,000 loan. The transaction had no impact on the Company's condensed consolidated financial statements.

Note 5 – Mortgage and Other Notes Payable

Mortgage and other notes payable consisted of the following at March 31, 2008 and December 31, 2007, respectively:

	March 31, 2008	Weighted Average Interest Rate(1)		December 31, 2007	Weighted Average Interest Rate(1)	
	Amount	Rate(1)		Amount	Rate(1)	
Fixed-rate debt:						
Non-recourse loans on operating properties	\$ 4,273,477	5.93	%	\$ 4,293,515	5.93	%
Line of credit (2)	400,000	4.55	%	250,000	4.61	%
Total fixed-rate debt	4,673,477	5.81	%	4,543,515	5.85	%
Variable-rate debt:						
Recourse term loans on operating properties	118,175	4.00	%	81,767	6.15	%
Lines of credit	1,014,602	3.68	%	1,165,032	6.28	%
Construction loans	83,366	3.97	%	79,004	6.20	%
Total variable-rate debt	1,216,143	3.73	%	1,325,803	6.13	%
Total	\$ 5,889,620	5.38	%	\$ 5,869,318	5.92	%

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

(2) The Company has entered into interest rate swaps on notional amounts totaling \$400,000 related to its largest secured credit facility to effectively fix the interest rate on that portion of the line of credit. Therefore, this amount is currently reflected in fixed-rate debt.

Unsecured Line of Credit

The Company has an unsecured credit facility with total availability of \$560,000 that bears interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage, as defined in the agreement to the facility. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility. The credit facility matures in August 2008 and has three one-year extension options, which are at the Company's election. At March 31, 2008, the outstanding borrowings of \$525,232 under the unsecured credit facility had

a weighted average interest rate of 3.56%.

The Company has an unsecured credit facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. The Company completed its acquisition of these properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured credit facility bears interest at LIBOR plus a margin of 0.95% to 1.40% based on the Company's leverage ratio, as defined in the agreement to the facility. Net proceeds from a sale, or the Company's share of excess proceeds from any refinancings, of any of the properties originally purchased with borrowings from this unsecured credit facility must be used to pay down any remaining outstanding balance. The agreement to the facility contains default provisions customary for transactions of this nature and also contains cross-default provisions for defaults of the Company's \$560,000 unsecured credit facility and \$525,000 secured facility.

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The facility matures in November 2010 and has two one-year extension options, which are at the Company's election. At March 31, 2008, the outstanding borrowings of \$264,870 under this facility had a weighted average interest rate of 3.83%.

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 bear interest at LIBOR plus a margin ranging from 0.80% to 0.90% and had a weighted average interest rate of 3.78% at March 31, 2008. 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% of unused availability. The following summarizes certain information about the secured lines of credit as of March 31, 2008:

Total Available	Total Outstanding	Maturity Date
\$ 525,000	\$ 525,000	February 2009
100,000	62,300	June 2009
20,000	20,000	March 2010
17,200	17,200	April 2010
\$ 662,200	\$ 624,500	

Interest Rate Swaps

On January 2, 2008, the Company entered into a \$150,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on the Company's largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.453%. The swap was valued at \$(3,197) as of March 31, 2008 and matures on December 30, 2009.

On December 31, 2007, the Company entered into a \$250,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on the Company's largest secured credit facility equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.605%. The swap was valued at \$(5,826) as of March 31, 2008 and matures on December 30, 2009.

The above swaps have met the effectiveness test criteria since inception and changes in the fair values of the swaps are, thus, reported in other comprehensive income (loss) and will be reclassified into earnings in the same period or periods during which the hedged item affects earnings. The swaps' total fair value of \$(9,023) as of March 31, 2008 is included in Accounts Payable and Accrued Liabilities in the accompanying condensed consolidated balance sheet.

Letters of Credit

At March 31, 2008, the Company had additional secured and unsecured lines of credit with a total commitment of \$37,940 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled \$15,867 at March 31, 2008.

Covenants and Restrictions

Thirty-nine malls/open-air centers, nine 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.

Maturities

The weighted average remaining term of the Company's total consolidated debt was 4.1 years at March 31, 2008 and 4.4 years at December 31, 2007. The weighted average remaining term of the Company's consolidated fixed-rate debt was 4.7 years and 5.1 years at March 31, 2008 and December 31, 2007, respectively. The Company has eleven loans and two lines of credit totaling \$1,602,011 that are scheduled to mature before March 31, 2009. Of the total amount scheduled to mature within the next twelve months, the two lines of credit account for \$1,050,232. The lines of credit are the Company's largest secured and unsecured facilities, as discussed above. The secured facility has a one-year extension option and the unsecured facility has three one-year extension options. Of the eleven loans scheduled to mature within the next twelve months, three loans totaling \$76,234 have extension options. The Company expects to extend, retire or refinance the loans.

Note 6 – Discontinued Operations

As of March 31, 2008, the Company determined that 19 of the community center and office properties originally acquired during the fourth quarter of 2007 from the Starmount Company met the criteria to be classified as held-for-sale. Individual sales of the properties are expected to close throughout the next twelve months. In conjunction with their classification as held-for-sale, the results of operations from the properties have been reclassified to discontinued operations for the three months ended March 31, 2008.

During August 2007, the Company sold Twin Peaks Mall in Longmont, CO. During December 2007, the Company sold The Shops at Pineda Ridge in Melbourne, FL. The results of operations of these properties are included in discontinued operations for the three months ended March 31, 2007.

Total revenues for the properties included in discontinued operations in the accompanying condensed consolidated financial statements of operations were \$4,555 and \$1,538 for the three month periods ended March 31, 2008 and 2007, respectively.

Note 7 – Segment Information

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The Company measures performance and allocates resources according to property type, which is determined based on certain criteria such as type of tenants, capital requirements, economic risks, leasing terms, and short and long-term returns on capital. Rental income and tenant reimbursements from tenant leases provide the majority of revenues from all segments. Information on the Company's reportable segments is presented as follows:

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		Associated	Community	All Other	
Three Months Ended March 31, 2008	Malls	Centers	Centers	(2)	Total
Revenues	\$ 253,652	\$ 10,950	\$ 3,338	10,339	\$ 278,279
Property operating expenses (1)	(92,256)	(2,645)	(1,206)	6,510	(89,597)
Interest expense	(63,069)	(2,306)	(1,135)	(13,714)	(80,224)
Other expense	—	—	—	(6,999)	(6,999)
Gain on sales of real estate assets	1,398	—	2	1,676	3,076
Segment profit (loss)	\$ 99,725	\$ 5,999	\$ 999	\$ (2,188)	104,535
Depreciation and amortization expense					(73,616)
General and administrative expense					(12,531)
Interest and other income					2,727
Equity in earnings of unconsolidated affiliates					979
Income tax provision					(357)
Minority interest in earnings					(10,791)
Income from continuing operations					\$ 10,946
Total Assets	\$ 6,880,765	\$ 348,057	\$ 219,173	\$ 580,953	\$ 8,028,948
Capital expenditures (3)	\$ 52,481	\$ 267	\$ 22,433	\$ 101,183	\$ 176,364

		Associated	Community	All Other	
Three Months Ended March 31, 2007	Malls	Centers	Centers	(2)	Total
Revenues	\$ 230,618	\$ 10,557	\$ 1,978	5,865	\$ 249,018
Property operating expenses (1)	(82,505)	(2,606)	(785)	6,894	(79,002)
Interest expense	(54,107)	(1,856)	(993)	(9,171)	(66,127)
Other expense	—	—	—	(3,639)	(3,639)
Gain on sales of real estate assets	(93)	(10)	(9)	3,642	3,530
Segment profit (loss)	\$ 93,913	\$ 6,085	\$ 191	\$ 3,591	103,780
Depreciation and amortization expense					(56,608)
General and administrative expense					(10,197)
Loss on extinguishment of debt					(227)
Interest and other income					2,745
Equity in earnings of unconsolidated affiliates					598
Income tax provision					(803)
Minority interest in earnings					(14,293)
Income from continuing operations					\$ 24,995
Total Assets	\$ 5,844,095	\$ 318,566	\$ 60,046	\$ 396,641	\$ 6,619,348
Capital expenditures (3)	\$ 62,531	\$ 9,992	\$ 7,985	\$ 33,979	\$ 114,487

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

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- (3) Amounts include acquisitions of real estate assets and investments in unconsolidated affiliates. Developments in progress are included in the All Other category.

Note 8 – Postretirement Benefits

Effective March 1, 2008, the Company adopted an unfunded plan to provide medical insurance coverage for up to two years to any retirees with thirty or more years of service and no eligibility for any other group health plan coverage or Medicare. The Company accounts for the plan pursuant to SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The Company elected to account for the obligation using the transition methodology. During the first quarter of 2008, the Company incurred a total charge of \$190 due to the adoption of the plan. Election of the transition methodology resulted in an unrecognized transition cost of \$434.

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On March 3, 2008, the Company's Senior Vice President and Director of Corporate Leasing announced his retirement effective March 31, 2008. In conjunction with his retirement, the Company agreed to the payment of certain compensation and to the acceleration of the vesting of any outstanding restricted stock awards, among other items. The Company incurred a total charge of \$1,216 during the first quarter of 2008 related to the officer's retirement benefits, consisting of \$1,000 of base compensation, \$75 of pro rata bonus compensation, \$31 of health benefits and \$110 of restricted stock accelerated vesting.

Note 9 – 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. The following summarizes the impact of potential dilutive common shares on the denominator used to compute earnings per share:

	Three Months Ended March 31,	
	2008	2007
Weighted average shares outstanding	66,195	65,562
Effect of nonvested stock awards	(298))	(453))
Denominator – basic earnings per share	65,897	65,109
Dilutive effect of:		
Stock options	134	583
Nonvested stock awards	48	157
Deemed shares related to deferred compensation arrangements	30	37
Denominator – diluted earnings per share	66,109	65,886

Note 10 – Comprehensive Income (Loss)

The computation of comprehensive income (loss) for the three months ended March 31, 2008 and 2007 is as follows:

	Total for the Three Months	
	Ended March 31,	
	2008	2007
Net Income	\$11,626	\$25,043
Change in unrealized loss on interest rate hedge agreements	(9,023))	—
Change in unrealized loss on available-for-sale securities	(3,486))	531
Change in foreign currency translation adjustments	200	—
Total other comprehensive income (loss)	(12,309))	531
Comprehensive income (loss)	\$(683))	\$25,574

Note 11 – 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.

The Company has guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which the Company owns a 45% interest, which owns Parkway Place in Huntsville, AL. The total amount outstanding at March 31, 2008, was \$53,200 of which the Company has 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 maximum guaranteed obligation was \$21,200 as of March 31, 2008. 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.

The Company owns a parcel of land that it is ground leasing to a third party developer for the purpose of developing a shopping center. The Company has guaranteed 27% of the third party’s construction loan and bond line of credit (the “loans”) of which the maximum guaranteed amount is \$31,554. The total amount outstanding at March 31, 2008 on the loans was \$23,986 of which the Company has guaranteed \$6,476. The Company has recorded an obligation of \$315 in the accompanying condensed consolidated balance sheets as of March 31, 2008 and December 31, 2007 to reflect the estimated fair value of the guaranty.

The Company has issued various bonds that it would have to satisfy in the event of non-performance. At March 31, 2008, the total amount outstanding on these bonds was \$48,560.

Note 12 – Share-Based Compensation

The share-based compensation cost that was charged against income was \$1,300 and \$1,263 for the three months ended March 31, 2008 and 2007. The share-based compensation cost capitalized as part of real estate assets was \$277 and \$187 for the three months ended March 31, 2008 and 2007.

The Company’s stock option activity for the three months ended March 31, 2008 is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2008	652,030	\$ 15.71
Exercised	(19,215)	13.00
Outstanding at March 31, 2008	632,815	15.80
Vested at March 31, 2008	632,815	15.80
Exercisable at March 31, 2008	632,815	15.80

A summary of the status of the Company’s stock awards as of March 31, 2008, and changes during the three months ended March 31, 2008, is presented below:

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	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2008	298,330	\$ 36.73
Granted	106,813	24.36
Vested	(14,013)	24.29
Nonvested at March 31, 2008	391,130	33.62

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As of March 31, 2008, there was \$9,166 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 3.0 years.

Note 13 – Noncash Investing and Financing Activities

The Company's noncash investing and financing activities were as follows for the three months ended March 31, 2008 and 2007:

	Three Months Ended	
	March 31,	
	2008	2007
Accrued dividends and distributions	\$ 64,372	\$ 59,336
Additions to real estate assets accrued but not yet paid	22,738	27,113
Reclassification of developments in progress to mortgage notes receivable	—	6,528
Note receivable received on sale of land	—	3,735
Minority interest issued in acquisition of real estate assets	—	330
Payable for marketable securities acquired	—	5,672

Note 14 – Income Taxes

The Company has 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 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 resulting from changes in circumstances that may affect the realizability of the related deferred tax asset is included in income.

The Company recorded an income tax provision of \$357 and \$803 for the three months ended March 31, 2008 and 2007, respectively. The income tax provision in 2008 consisted of a current income tax provision of \$1,501 and a deferred income tax benefit of \$1,144. The income tax provision in 2007 consisted of a current income tax provision of \$1,139 and a deferred income tax benefit of \$336.

The Company had a net deferred tax asset of \$5,476 at March 31, 2008 and \$4,332 at December 31, 2007. The net deferred tax asset at March 31, 2008 and December 31, 2007 primarily consisted of operating expense accruals and differences between book and tax depreciation.

The Company reports any income tax penalties attributable to its properties as property operating expenses and any corporate-related income tax penalties as general and administrative expenses in its statement of operations. In addition, any interest incurred on tax assessments is reported as interest expense. The Company reported nominal interest and penalty amounts for the three months ended March 31, 2008 and 2007, respectively.

Note 15 – Subsequent Events

In April 2008, the Company entered into a new, unsecured term facility for up to \$228,000. The facility has an initial term of three years with two one-year extensions at the Company's option. The facility bears interest at LIBOR plus a margin of 1.50% to 1.80% based on the Company's leverage, as defined in the agreement to the facility. The facility was used to pay down outstanding balances on the Company's lines of credit.

In April 2008, the Company completed the sale of five community centers located in Greensboro, NC to three separate buyers for an aggregate of approximately \$24,325. The Company expects to record a \$1,477 gain attributable to the sales in the second quarter of 2008. The proceeds were used to retire a portion of the outstanding balance on the unsecured line of credit that was originally used to purchase the properties. These centers are included in the held-for-sale portfolio as of March 31, 2008, and their results are included in discontinued operations for the three months ended March 31, 2008.

ITEM 2: 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 Form 10-Q. 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 described in Part II, 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 the Company's 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 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.

As of March 31, 2008, we owned controlling interests in 75 regional malls/open-air centers, 28 associated centers (each adjacent to a regional shopping mall), 13 community centers and 14 office buildings, including 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 March 31, 2008, we owned non-controlling interests in nine regional malls/open-air centers, four associated centers, three community centers and six office buildings. Because one or more of the other partners have substantive participating rights, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. At March 31, 2008, we had six mall expansions, two associated/lifestyle centers (one of which is owned in a joint venture), five community/open-air centers (four of which are owned in joint ventures) and one mixed-use center under construction.

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The majority of our revenues is derived from leases with retail tenants and generally includes base minimum rents, percentage rents based on tenants' sales volumes and reimbursements from tenants for expenditures, including property operating expenses, real estate taxes and maintenance and repairs, as well as certain capital expenditures. We also generate revenues from sales of outparcel land at the properties and from sales of operating real estate assets when it is

determined that we can realize the maximum value of the assets. Proceeds from such sales are generally used to pay off related construction loans or reduce borrowings on our credit facilities.

Despite the challenging economy, we recorded encouraging results this quarter including increases in occupancy, strong leasing spreads and positive growth in Funds From Operations ("FFO"). FFO is a key performance measure for real estate companies. Please see the more detailed discussion of this measure on page 34. We are continuing to maximize the productivity of our core portfolio through leasing and management and through opportunistic expansions and redevelopments. We are generating growth with a pipeline of solid new development projects that are well-positioned for long-term success.

As a result of the tight credit markets, we are seeing an increase in the number of projects from smaller private developers that are unable to secure funding. Not only is this providing us with new opportunities, but it is also encouraging retailers to sign onto projects with us due to our proven history of established development. In April 2008, we successfully closed on a new, unsecured term facility of \$228.0 million and we have several new developments, redevelopments and expansions in process.

Certain retailers have announced store closures or bankruptcies in 2008 and it is possible that there may be more. However, we believe that store closures and bankruptcies provide an opportunity to enhance the overall credit quality of our retailers and provide us with an opportunity to increase the productivity in our malls, both in terms of rents and sales. Based on the announcements made to date, the impact on our portfolio is not expected to be significant.

Our current quarter results are beginning to reflect the benefits from the expansions and enhancements that we made to our existing portfolio in 2007, as well as the properties that we acquired in the latter part of that year. Our new development projects that are scheduled to open in 2008 should serve to maintain the positive momentum.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended March 31, 2008 to the Three Months Ended March 31, 2007

We have acquired or opened five malls/open-air centers, one associated center, 13 community centers and 19 office buildings since January 1, 2007 (collectively referred to as the "New Properties"). These transactions impact the comparison of the results of operations for the three months ended March 31, 2008 to the results of operations for the comparable period ended March 31, 2007. Properties that were in operation as of January 1, 2007 and March 31, 2008 are referred to as the "Comparable Properties." We do not consider a property to be one of the Comparable Properties until it has been owned or open for one complete calendar year. Any reference to the New Properties in this section excludes those properties that are accounted for using the equity method of accounting or that are included in Discontinued Operations. The New Properties are as follows:

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Property	Location	Date Acquired/ Opened
<u>Acquisitions:</u>		
Chesterfield Mall	St. Louis, MO	Oct-07
Mid Rivers Mall	St. Peters, MO	Oct-07
South County Center	St. Louis, MO	Oct-07
West County Center	St. Louis, MO	Oct-07
Friendly Center and The Shops at Friendly (50/50 joint venture) (1)	Greensboro, NC	Nov-07
Brassfield Square (2)	Greensboro, NC	Nov-07
Caldwell Court (2)	Greensboro, NC	Nov-07
Garden Square (2)	Greensboro, NC	Nov-07
Hunt Village (2)	Greensboro, NC	Nov-07
New Garden Center (2)	Greensboro, NC	Nov-07
Northwest Centre (2)	Greensboro, NC	Nov-07
Oak Hollow Square (2)	High Point, NC	Nov-07
Westridge Square (2)	Greensboro, NC	Nov-07
1500 Sunday Drive Office Building (2)	Raleigh, NC	Nov-07
Portfolio of Five Office Buildings (2)	Greensboro, NC	Nov-07
Portfolio of Two Office Buildings (2)	Chesapeake, VA	Nov-07
Portfolio of Four Office Buildings (2)	Newport News, VA	Nov-07
Portfolio of Six Office Buildings (50/50 joint venture) (1)	Greensboro, NC	Nov-07
CBL Center II	Chattanooga, TN	Jan-08
Renaissance Center (50/50 joint venture) (1)	Durham, NC	Feb-08
<u>New Developments:</u>		
The Shoppes at St. Clair Square	Fairview Heights, IL	Mar-07
Alamance Crossing East	Burlington, NC	Aug-07
York Town Center (50/50 joint venture) (1)	York, PA	Sep-07
Cobblestone Village at Palm Coast	Palm Coast, FL	Oct-07
Milford Marketplace	Milford, CT	Oct-07

- (1) These properties are held in entities that are accounted for using the equity method of accounting. Therefore, the results of operations for these properties are included in Equity in Earnings of Unconsolidated Affiliates in the accompanying consolidated statement of operations.
- (2) These properties are included in Discontinued Operations for the three months ended March 31, 2008.

Revenues

The \$25.5 million increase in rental revenues and tenant reimbursements was attributable to an increase of \$26.7 million from the New Properties, partially offset by a decrease of \$1.2 million from the Comparable Properties. The decrease in revenues of the Comparable Properties was driven by lease termination fees of \$2.6 million, below-market lease amortization of \$1.2 million and percentage rents of \$1.7 million, partially offset by increases in base rents of \$2.9 million and tenant reimbursements of \$1.6 million. Percentage rents declined due to reduced sales. January 2008 sales numbers were impacted by the mismatched fiscal calendar which resulted in four "retail" weeks in January this year as compared to five weeks in January 2007. The current quarter tenant reimbursements reflect increases in reimbursements for real estate taxes and central utilities expenses which had increased in the latter part of the previous fiscal year. Tenant reimbursements are stabilizing due to the conversion of most tenants to a fixed common area maintenance ("CAM") fee as compared to a variable rate fee that was applicable to more

tenants in the prior year quarter. Approximately 75% of our leases have been converted to fixed CAM.

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Our cost recovery ratio declined to 96.3% for the quarter ended March 31, 2008 from 98.3% for the prior-year period. Due to the conversion to fixed CAM, the recovery ratio will fluctuate during the year as seasonal items impact the ratio. The decline in the current quarter results primarily from increases of \$1.1 million in snow removal expense and \$0.6 million in bad debt expense.

The increase in management, development and leasing fees of \$1.7 million was mainly attributable to an increase of \$1.4 million in development fees related primarily to the Pavilion at Port Orange, Hammock Landing and Statesboro Crossing.

Other revenues increased by \$2.0 million primarily due to increased income of \$1.5 million related to 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 \$10.6 million as a result of \$7.7 million of expenses attributable to the New Properties and \$2.9 million related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is attributable to increases in annual compensation for property management personnel, bad debt expense and snow removal costs. Additionally, real estate tax expense was higher for the Comparable Properties.

The increase in depreciation and amortization expense of \$17.0 million resulted from increases of \$12.0 million from the New Properties and \$5.0 million from the Comparable Properties. The increase attributable to the Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance and for the write-off of certain tenant allowances related to early lease terminations.

General and administrative expenses increased \$2.3 million primarily as a result of a \$1.3 million charge incurred in relation to the retirement of our Senior Vice President and Director of Corporate Leasing during the first quarter of 2008, as well as increases in payroll. As a percentage of revenues, general and administrative expenses increased to 4.5% for the first quarter of 2008 compared with 4.1% for the prior year period.

Other Income and Expenses

Interest expense increased \$14.1 million primarily due to the debt on the New Properties, the refinancings that were completed in the prior year on the Comparable Properties and borrowings outstanding that were used to redeem our Series B preferred stock in June 2007. While we experienced a decrease in the weighted average fixed and variable interest rates as compared to the first quarter of 2007, the total outstanding principal amounts have increased.

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During the first quarter of 2008, we recognized gain on sales of real estate assets of \$3.1 million related to the sale of four parcels of land, while the gain of \$3.5 million in the first quarter of 2007 related to the sale of six land parcels.

Equity in earnings of unconsolidated affiliates increased by \$0.4 million during the first quarter of 2008, primarily due to the addition of CBL-TRS Joint Venture, LLC in the fourth quarter of 2007.

The income tax provision of \$0.4 million for the three months ended March 31, 2008 relates to the earnings of our taxable REIT subsidiary and consists of a provision for current income taxes of \$1.5 million, partially offset by a deferred tax benefit of \$1.1 million. During the three months ended March 31, 2007, we recorded an income tax provision of \$0.8 million, consisting of a provision for current income taxes of \$1.1 million, partially offset by a deferred tax benefit of \$0.3 million. We have cumulative share-based compensation deductions that can be used to offset the current income tax payable; therefore, the payable for current income taxes has been reduced to zero by recognizing a portion of the benefit of the cumulative share-based compensation deductions.

We recognized income from discontinued operations of \$0.7 million during the first quarter of 2008, compared to \$0.1 million during the first quarter of 2007. Discontinued operations for the three months ended March 31, 2008 reflect the operating results of 19 retail and office properties that meet the criteria for held-for-sale classification. These properties were originally acquired in the fourth quarter of 2007. Discontinued operations for the three months ended March 31, 2007 reflect the results of operations of Twin Peaks Mall and The Shops at Pineda Ridge, plus the true up of estimated expenses to actual amounts for properties sold during previous years.

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 generally results in higher percentage rent income in the fourth quarter. Additionally, 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 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 Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven Towne Center in Southaven, MS, which opened in October 2005; Gulf Coast Town Center in Ft. Myers, FL, which opened in November 2005; and Alamance Crossing East in Burlington, NC, which opened in August 2007.

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

	Three Months Ended		
	March 31,		
	2008	2007	
Malls	91.2	% 92.6	%
Associated centers	3.9	% 4.2	%
Community centers	1.2	% 0.8	%
Mortgages, office buildings and other	3.7	% 2.4	%

Mall store sales for the trailing twelve months ended March 31, 2008 on a comparable per square foot basis were \$341 per square foot compared with \$350 per square foot in the prior year period, a decline of 2.6%. January 2008 sales numbers were impacted by the mismatched fiscal calendar which resulted in four “retail” weeks in January this year as compared to five weeks in January 2007.

Occupancy

Our portfolio occupancy is summarized in the following table:

	At March 31,		
	2008	2007	
Total portfolio occupancy	91.6	% 91.0	%
Total mall portfolio	91.3	% 91.2	%
Stabilized malls	91.4	% 91.5	%
Non-stabilized malls	89.2	% 84.7	%
Associated centers	94.9	% 92.0	%
Community centers	90.0	% 80.7	%

While bankruptcies and store closures have certainly increased, the lasting impact to our portfolio has been minimal. Friedman's, Bombay, The Disney Store and Lines n' Things are the major retailers that have gone into bankruptcy recently. While we are still working through the process, we anticipate that the resulting store closures will have a minimal impact on our annual gross rents.

We have 23 Friedman's stores representing 34,000 square feet and \$2.3 million in annual gross rents. We are currently in negotiations for another national jeweler to take approximately 25% of these locations.

Bombay entered Chapter 11 last year and closed their stores. We had 14 locations representing 59,000 square feet and \$2.1 million in annual gross rents. We have replacement tenants for over a third of the space and are receiving strong interest on the remainder.

The operators of The Disney Store entered Chapter 11 during the quarter and Children's Place announced that they were in advanced discussions to sell the unit back to The Walt Disney Company. We have 15 The Disney Stores representing 63,000 square feet and \$2.7 million in annual gross rents. We anticipate that only nine stores will close totaling 30,000 square feet and \$1.1 million in annual rents.

Linens n' Things recently filed for bankruptcy protection. We currently have 11 locations representing \$4.6 million of annual gross rents and 333,000 square feet. While we expect that three stores will close, representing annual gross rents totaling approximately \$1.1 million and 82,000 square feet, all locations are open and operating at this time.

Leasing

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

At March 31,

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	2008	2007
Stabilized malls	\$29.03	\$27.80
Non-stabilized malls	25.14	28.23
Associated centers	11.75	11.83
Community centers	13.51	14.71
Other	18.11	19.53

During the three months ended March 31, 2008, 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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	Square Feet	Prior Base Rent PSF	New Initial		New Average			
			Base Rent PSF	% Change Initial	Base Rent PSF	% Change Average		
All Property Types (1)	872,951	\$ 35.56	\$ 39.23	10.3	% \$ 40.08	12.7	%	
Stabilized malls	820,391	36.66	40.47	10.4	% 41.36	12.8	%	
New leases	168,762	44.55	54.16	21.6	% 56.40	26.6	%	
Renewal leases	651,629	34.62	36.93	6.7	% 37.47	8.2	%	

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

LIQUIDITY AND CAPITAL RESOURCES

There was \$65.7 million of cash and cash equivalents and \$2.6 million of cash held in escrow as of March 31, 2008, an increase of \$2.5 million from December 31, 2007. 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 \$5.4 million to \$93.0 million for the three months ended March 31, 2008. The decrease was primarily attributable to higher interest expense incurred in the current year period, partially offset by operations of the New Properties.

Debt

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	Weighted Average Interest Rate(1)	
March 31, 2008:						
Fixed-rate debt:						
Non-recourse loans on operating properties	\$ 4,273,477	\$ (24,073) \$ 410,759	\$ 4,660,163	5.90	%

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Line of credit (2)	400,000	—	—	400,000	4.55	%
Total fixed-rate debt	4,673,477	(24,073) 410,759	5,060,163	5.79	%
Variable-rate debt:						
Recourse term loans on operating properties	118,175	(879	) 45,924	163,220	3.97	%
Construction loans	83,366	(2,164	) 19,949	101,151	4.15	%
Lines of credit	1,014,602	—	—	1,014,602	3.68	%
Total variable-rate debt	1,216,143	(3,043) 65,873	1,278,973	3.75	%
Total	\$ 5,889,620	\$ (27,116) \$ 476,632	\$ 6,339,136	5.38	%

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	Consolidated	Minority Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate(1)	
December 31, 2007:						
Fixed-rate debt:						
Non-recourse loans on operating properties	\$ 4,293,515	\$ (24,236)	\$ 335,903	\$ 4,605,182	5.85	%
Line of credit (2)	250,000	—	—	250,000	4.61	%
Total fixed-rate debt	4,543,515	(24,236)	335,903	4,855,182	5.79	%
Variable-rate debt:						
Recourse term loans on operating properties	81,767	—	44,104	125,871	6.19	%
Construction loans	79,004	(2,517)	5,371	81,858	6.28	%
Lines of credit	1,165,032	—	—	1,165,032	6.12	%
Total variable-rate debt	1,325,803	(2,517)	49,475	1,372,761	6.14	%
Total	5,869,318	\$ (26,753)	\$ 385,378	\$ 6,227,943	5.87	%

- (1) Weighted average interest rate including the effect of debt premiums (discounts), but excluding amortization of deferred financing costs.
- (2) We have entered into interest rate swaps on notional amounts totaling \$400,000 and \$250,000 as of March 31, 2008 and December 31, 2007, respectively, related to our largest secured credit facility to effectively fix the interest rate on that portion of the line of credit. Therefore, this amount is currently reflected in fixed-rate debt.

We have four secured credit facilities with total availability of \$662.2 million, of which \$624.5 million was outstanding as of March 31, 2008. The secured credit facilities bear interest at a rate of LIBOR plus a margin ranging from 0.80% to 0.90%. Borrowings under the secured lines of credit had a weighted average interest rate of 3.78% at March 31, 2008.

We have an unsecured credit facility with total availability of \$560.0 million, of which \$525.2 million was outstanding as of March 31, 2008. The unsecured credit facility bears interest at LIBOR plus a margin of 0.75% to 1.20% based on our leverage, as defined in the agreement. Additionally, we pay an annual fee equal to 0.1% of the amount of total availability under the unsecured credit facility. The credit facility matures in August 2008 and has three one-year extension options, which are at our election. At March 31, 2008, the outstanding borrowings under the unsecured credit facility had a weighted average interest rate of 3.56%.

We have an unsecured credit facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. We completed the acquisition of these properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured credit facility bears interest at LIBOR plus a margin of 0.95% to 1.40% based on our leverage ratio, as defined in the agreement to the facility. Net proceeds from a sale, or our share of excess proceeds from any refinancings, of any of the properties originally purchased with borrowings from this unsecured credit facility must be used to pay down any remaining outstanding balance. The agreement to the facility contains default provisions customary for transactions of this nature and also contains cross-default provisions for defaults of our \$560.0 million unsecured credit facility and \$525.0 million secured facility. The facility matures in November 2010 and has two one-year extension options, which are at our election. At March 31, 2008, the outstanding borrowings of \$264.9 million under this facility had a weighted average interest rate of 3.83%.

We also have secured and unsecured lines of credit with total availability of \$37.9 million that are used only to issue letters of credit. There was \$15.9 million outstanding under these lines at March 31, 2008.

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On January 2, 2008, we entered into a \$150.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion

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of debt principal corresponding to the swap notional amount at 4.453%. The swap was valued at \$(3.2) million as of March 31, 2008 and matures on December 30, 2009.

On December 31, 2007, we entered into a \$250.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.605%. The swap was valued at \$(5.8) million as of March 31, 2008 and matures on December 30, 2009.

The weighted average remaining term of our pro rata share of total debt was 4.4 years at March 31, 2008 and 4.6 years at December 31, 2007. The weighted average remaining term of our pro rata share of fixed-rate debt was 5.0 years and 5.3 years at March 31, 2008 and December 31, 2007, respectively. We have 15 loans and two lines of credit totaling \$1.64 billion that are scheduled to mature before March 31, 2009. Of the total amount scheduled to mature within the next twelve months, the two lines of credit account for \$1.05 billion. The lines of credit are our largest secured and unsecured facilities. The secured facility has a one-year extension option and the unsecured facility has three one-year extension options. Of the 15 loans scheduled to mature within the next twelve months, four loans totaling \$102.8 million have extension options. The Company expects to extend, retire or refinance the loans.

As of March 31, 2008, our share of consolidated and unconsolidated variable-rate debt represented 20.2% of our total share of debt, as compared to 22.0% as of December 31, 2007. As of March 31, 2008, our share of consolidated and unconsolidated variable-rate debt represented 13.6% of our total market capitalization (see Equity below) as compared to 14.7% as of December 31, 2007.

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 March 31, 2008.

Equity

During the three months ended March 31, 2008, we received \$0.3 million in proceeds from issuances of common stock related to exercises of employee stock options and from our dividend reinvestment plan. In addition, we paid dividends of \$41.5 million to holders of our common stock and our preferred stock, as well as \$33.3 million in net 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. We currently have a shelf registration statement on file 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. However, the ratio had increased as of March 31, 2008 due to a decline in the market price of our common stock. Based on our share of total consolidated and unconsolidated debt and the market value of equity, our debt-to-total-market capitalization (debt plus market value equity) ratio was as follows at March 31, 2008 (in thousands, except stock prices):

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	Stock		Value
	Shares Outstanding	Price (1)	
Common stock and operating partnership units	116,941	\$23.53	\$2,751,622
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			3,041,622
Company's share of total debt			6,339,136
Total market capitalization			\$9,380,758
Debt-to-total-market capitalization ratio			67.6 %

(1) Stock price for common stock and operating partnership units equals the closing price of the common stock on March 31, 2008. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

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 obtain construction loans for new developments and major expansions and renovations of our existing properties. We do not expect to pursue these activities unless adequate sources of financing are available and a satisfactory budget with targeted returns on investment has been internally approved.

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.

Developments and Expansions

The following table summarizes our development projects as of March 31, 2008:

Properties Opened Year-to-date

Property	Location	Total	CBL's Share of			
		Project	Total	Cost	Dated	Initial
		Square	Cost	To Date	Opened	Yield(a)
		Feet	Cost	To Date	Opened	Yield(a)

Mall Expansions:

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Cary Towne Center - Mimi's Café	Cary, NC	6,674	\$2,243	\$1,043	Spring-08	15.0	%
Coastal Grand - Ulta Cosmetics	Myrtle Beach, SC	10,000	1,449	1,456	Spring-08	8.7	%
Coastal Grand - JCPenney	Myrtle Beach, SC	103,395	N/A	N/A	Spring-08	N/A	
Office:							
CBL Center II	Chattanooga, TN	74,598	17,120	12,825	January-08	8.6	%
		194,667	\$20,812	\$15,324			

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Announced Property Renovations and Redevelopments

Property	Location	Total Project Square Feet	CBL's Share of		Opening Date	Initial Yield(a)	
			Total Cost	Cost To Date			
Parkdale Mall - Former Dillard's (Phase I & II)	Beaumont, TX	70,220	\$ 29,266	\$ 1,443	Jan-08/Fall-08	6.6	%
West County - Former Lord & Taylor	St. Louis, MO	90,687	34,149	9,404	Spring-09	9.9	%
Mall Renovations:							
Brookfield Square	Brookfield, WI	1,132,984	18,100	9,096	Fall-08	N/A	
Georgia Square	Athens, GA	674,738	16,900	10,857	Spring-08	N/A	
		1,968,629	\$ 98,415	\$ 43,870			

Properties Under Development at March 31, 2008

Property	Location	Total Project Square Feet	CBL's Share of		Opening Date	Initial Yield(a)	
			Total Cost	Cost To Date			
Asheville Mall - Barnes & Noble	Asheville, NC	35,968	\$ 12,123	\$ 783	Spring-09	5.1	%
Brookfield Square - Claim Jumpers	Brookfield, WI	12,000	3,430	707	Fall-08	11.9	%
High Pointe Commons - Christmas Tree Shops	Harrisburg, PA	34,938	1,741	985	Fall-08	9.0	%
Laural Park Place - Food Court	Detroit, MI	34,000	5,588	233	Winter-08	8.6	%
Oak Park Mall - Barnes & Noble	Kansas City, KS	35,539	9,657	1,857	Spring-09	6.7	%
Southpark Mall - Foodcourt	Colonial Heights, VA	17,150	4,188	2,019	Spring-08	11.0	%
Associated/Lifestyle Centers:							
Brookfield Square - Corner Development	Brookfield, WI	19,745	8,372	1,508	Fall-08	8.0	%
Imperial Valley Commons (Phase I) (b)	El Centro, CA	610,966	11,471	25,070	Summer-09/ Summer-10	8.1	%
Mixed -Use Center:							
Pearland Town Center (Retail Portion)	Pearland, TX	694,417	150,016	109,917	Summer-08	7.8	%
Pearland Town Center (Hotel Portion)	Pearland, TX	72,500	17,866	7,213	Summer-08	8.3	%
Pearland Town Center (Residential Portion)	Pearland, TX	68,110	10,799	3,035	Summer-08	8.8	%
Pearland Town Center (Office Portion)	Pearland, TX	51,560	9,385	330	Summer-08	8.7	%
Community/Open-Air Centers:							
Alamance Crossing - Theater/Shops	Burlington, NC	82,997	18,882	6,631	Spring-08	8.4	%
Hammock Landing (Phase I) (d)	West Melbourne, FL	458,126	77,314	34,198	Spring-09	7.6	%

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Settlers Ridge (b)	Robinson Township, PA	508,192	117,105	33,763	Summer-09	7.8	%
Statesboro Crossing (d)	Statesboro, GA	160,238	20,224	10,817	Fall-08/	8.2	%
Summit Fair (c)	Lee's Summit, MO	482,051	22,000	22,000	Summer-10 Fall-08/	9.8	%
The Pavilion at Port Orange (Phase I) (d)	Port Orange, FL	505,669	145,795	35,219	Summer-09 Fall-09	7.5	%
		3,884,166	\$ 645,956	\$ 296,285			

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- (a) Pro forma initial yields may be lower than actual initial returns as they are reduced for management and development fees.
- (b) 60/40 Joint Venture. Amounts shown are 100% of total costs and cost to date as CBL has funded all costs to date. Costs to date are gross of applicable reimbursements.
- (c) CBL's interest represent 27% of project cost.
- (d) 50/50 Joint Venture.

As of March 31, 2008, there were construction loans in place for the development costs of Pearland Town Center, Settlers Ridge, Statesboro Crossing and West County – Former Lord & Taylor. The remaining development costs will be funded with operating cash flows, availability on our credit facilities, and new construction loans.

We have entered into a number of option agreements for the development of future open-air centers, lifestyle centers and community centers. Except for the projects discussed under Developments and Expansions above, we do not have any other material capital commitments as of March 31, 2008.

Acquisitions

During the first quarter of 2008, CBL-TRS Joint Venture, a joint venture that we account for using the equity method of accounting, completed its acquisition of properties from the Starmount Company when it acquired the Renaissance Center, located in Durham, NC, for \$89.6 million and an anchor parcel at Friendly Center, located in Greensboro, NC, for \$5.0 million. The aggregate purchase price consisted of \$58.1 million in cash and the assumption of \$36.5 million of non-recourse debt that bears interest at a fixed interest rate of 5.61% and matures in July 2016.

Dispositions

We received a total of \$6.2 million in net cash proceeds from the sales of four parcels of land during the three months ended March 31, 2008.

In April 2008, we completed the sale of five community centers located in Greensboro, NC to three separate buyers for an aggregate of approximately \$24.0 million. The Company expects to record a \$1.5 million gain attributable to the sales in the second quarter of 2008. The proceeds were used to retire a portion of the outstanding balance on the unsecured line of credit that was originally used to purchase the properties. These centers are included in the held-for-sale portfolio as of March 31, 2008, and their results are included in discontinued operations for the three months ended March 31, 2008.

Other Capital Expenditures

Including our share of unconsolidated affiliates' capital expenditures, we spent \$9.6 million during the three months ended March 31, 2008 for tenant allowances, which will generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were \$3.3 million for the first quarter of 2008 and included \$1.0 million for resurfacing and improved lighting of parking lots, \$0.8 million for roof repairs and replacements and \$1.5 million for various other capital expenditures. Renovation expenditures were \$5.3 million for the three months ended

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March 31, 2008.

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 are recovering these costs through fixed amounts with annual increases or pro rata cost reimbursements based on the tenant's occupied space.

We expect to complete the renovation of two malls for a total estimated cost of \$35.0 million and to redevelop space at an additional mall and parcel during 2008 at a total estimated cost of \$63.4 million, which will be funded from operating cash flows and availability under our credit facilities.

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Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 19 unconsolidated affiliates that are described in Note 4 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 in which 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 and financing services provided to the joint venture.

Guarantees

We may guarantee 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 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.

We own a parcel of land that we are ground leasing to a third party developer for the purpose of developing a shopping center. We have guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount is \$31.6 million. The total amount outstanding at March 31, 2008 on the loans was \$24.0 million of which we have guaranteed \$6.5 million. We have recorded an obligation of \$0.3 million in our condensed consolidated balance sheet as of March 31, 2008 and December 31, 2007 to reflect the estimated fair value of the guaranty.

We have guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which we own a 45% interest, which owns Parkway Place in Huntsville, AL. The total amount outstanding at March 31, 2008 was \$53.2 million of which we have guaranteed \$26.6 million. The guaranty will expire when the related debt matures in June 2008. However, there are extension options available on the debt and, if exercised, would extend the guaranty. We did not record 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 as part of York Town Center. 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

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million, which decreases by \$0.8 million annually until the guaranteed amount is reduced to \$10.0 million. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was \$21.2 million as of March 31, 2008. We entered into an agreement with our joint venture partner under which the joint venture partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We did not record 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 11 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. 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.

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. No impairments were incurred during the three months ended March 31, 2008 and 2007.

Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format and provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. It also requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption is not expected to have an impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*, which requires that a noncontrolling interest in a consolidated subsidiary be displayed in the consolidated statement of financial position as a separate component of equity. After control is obtained, a change in ownership interests that does not result in a loss of control should be accounted for as an equity transaction. A change in ownership of a consolidated subsidiary that results in a loss of control and deconsolidation is a significant event that triggers gain or loss recognition, with the establishment of a new fair value basis in any remaining ownership interests. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact of adopting SFAS No. 160 on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which changes certain

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aspects of current business combination accounting. SFAS No. 141(R) requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed, and non-controlling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Shares issued as consideration for a business combination are to be measured at fair value on the acquisition date and contingent consideration arrangements are to be recognized at their fair values on the date of acquisition, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition gain and loss contingencies generally are to be recognized at their fair values on the acquisition date and any acquisition-related transaction costs are to be expensed as incurred. SFAS No. 141(R) is effective for business combination transactions for which the acquisition date is in a fiscal year beginning on or after December 15, 2008. The adoption of SFAS No. 141(R) is not expected to have a material impact on our consolidated financial statements.

Impact of Inflation

During 2007, the inflation rate rose to 4.1%, primarily related to increases in food and energy costs. Substantially all tenant leases do, however, contain provisions designed to mitigate 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, or a fixed amount subject to annual increases for, operating expenses, including common area maintenance, real estate taxes, insurance and certain capital expenditures 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

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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.

FFO does not represent cash flows from operations as defined by GAAP, 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 \$92.9 million during the three months ended March 31, 2008 compared to \$90.8 million in the prior year period, representing an increase of 2.3%.

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

	Three Months Ended			
	March 31,			
	2008		2007	
Net income available to common shareholders	\$ 6,171		\$ 17,401	
Minority interest in earnings of operating partnership	4,742		13,563	
Depreciation and amortization expense of:				
Consolidated properties	73,616		56,608	
Unconsolidated affiliates	6,677		3,504	
Discontinued operations	2,240		460	
Non-real estate assets	(243)		(228)	
Minority investors' share of depreciation and amortization	(348)		(606)	
Loss on discontinued operations	—		55	
Funds from operations of the operating partnership	92,855		90,757	
Percentage allocable to Company shareholders (1)	56.55	%	56.20	%
Funds from operations allocable to Company shareholders	\$ 52,510		\$ 51,005	

(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 3: 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 only with major financial institutions based on their credit ratings and other factors.

On January 2, 2008, we entered into a \$150.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.453%. The swap was valued at \$(3.2) million as of March 31, 2008 and matures on December 30, 2009.

On December 31, 2007, we entered into a \$250.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.605%. The swap was valued at \$(5.8) million as of March 31, 2008 and matures on December 30, 2009.

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at March 31, 2008, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately \$6.4 million and, after the effect of capitalized interest, annual earnings by approximately \$5.7 million.

Based on our proportionate share of total consolidated and unconsolidated debt at March 31, 2008, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$95.6 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$98.5 million.

ITEM 4: Controls and Procedures

Disclosure Controls and Procedures

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 quarterly 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. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information that we are required to disclose in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

None

ITEM 1A. Risk Factors

The following information updates the information disclosed in “Item 1A – Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2007, by providing information that is current as of March 31, 2008:

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 loss of jobs, production slowdowns, adverse weather conditions, natural disasters, declines in residential real estate activity 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.
- Increased operating costs, such as increases in repairs and maintenance, real property taxes, utility rates and insurance premiums.
- Delays or cost increases associated with the opening of new or renovated properties, due to higher than estimated construction costs, cost overruns, delays in receiving zoning, occupancy or other governmental approvals, lack of availability of materials and labor, weather conditions, and similar factors which may be outside our ability to control.
- 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.

Illiquidity of real estate investments could significantly affect our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Substantially all of our total consolidated assets consist of investments in real properties. Because real estate investments are relatively illiquid, our ability to quickly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand for space, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

Before a property can be sold, we might be required to make expenditures to correct defects or to make improvements. We cannot assure you that we will have funds available to correct those defects or to make those improvements, and if we cannot do so, we might not be able to sell the property, or might be required to sell the property on unfavorable terms. In acquiring a property, we might agree to provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as limitations on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could adversely affect our financial condition and results of operations.

We may elect not to proceed with certain development or expansion 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, we could lose our total 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.

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 22 malls, nine associated centers, five community centers and eight office buildings. We manage all but three of these properties. Governor's Square, Governor's Plaza and Kentucky Oaks are all owned by joint ventures and are managed by a property manager that is affiliated with the third party managing general partner. The property manager performs the property management and leasing services for these three Properties and receives a fee for its services. The managing partner the 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.

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With respect to those properties for which we do not serve as managing general partner, 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.

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 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 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 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 \$2.6 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.

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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 and tenant reimbursements that we are able to collect from our tenants, thereby reducing our revenues and the funds available for distribution to our stockholders.

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.

Inflation may adversely affect our financial condition and results of operations.

Although inflation has not materially impacted our operations in the recent past, increased inflation could have a more pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our overage rents, where applicable.

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.

Uninsured losses could adversely affect our financial condition, and in the future our insurance may not include coverage for acts of terrorism.

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. However, even insured losses could result in a serious disruption to our business and delay our receipt of revenue. Furthermore, there are some types of losses, including lease and other contract claims, as well as some types of environmental losses, that generally are not insured or are not economically insurable. If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a Property, as well as the anticipated future revenue from the Property. If this happens, we, or the applicable Property's partnership, may still remain obligated for any mortgage debt or other financial obligations related to the Property.

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. While we believe that the Properties are adequately insured in accordance with industry standards, 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, 2014, we may incur higher insurance costs and greater difficulty in obtaining insurance that covers terrorist-related damages. Our tenants may also experience similar difficulties.

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.

RISKS RELATED TO GEOGRAPHIC CONCENTRATIONS

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.

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Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 49.2% of our total revenues from all Properties for the three months ended March 31, 2008 and currently include 44 malls, 20 associated centers, 11 community centers and 19 office buildings. Our Properties located in the midwestern United States accounted for approximately 33.2% of our total revenues from all Properties for the three months ended March 31, 2008

and currently include 26 malls and 4 associated centers. 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.

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 St. Louis, MO, Nashville, TN, Pittsburgh, PA, Kansas City, KS and Madison, WI metropolitan areas, which are our five largest markets.

Our Properties located in the St. Louis, MO, Nashville, TN, Pittsburgh, PA, Kansas City (Overland Park), KS and Madison, WI metropolitan areas accounted for 6.1%, 4.6%, 3.8%, 3.1% and 2.7%, respectively, of our total revenues for the three months ended March 31, 2008, respectively. No other market accounted for more than 2.6% of our total revenues for the three months ended March 31, 2008. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

We may not have access to the capital needed to refinance debt or obtain new debt.

We are significantly dependent upon external financing to fund the growth of our business and ensure that we meet our debt servicing requirements. Our access to financing depends on the willingness of banks to lend to us, our credit rating and conditions in the capital markets in general. We cannot make any assurances as to whether we will be able to obtain debt for refinancings or to fund our growth, or that financing options available to us will be on favorable or acceptable terms.

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.

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.

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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.

RISKS RELATED TO FEDERAL INCOME TAX LAWS

We conduct a portion of our business through taxable REIT subsidiaries, which are subject to certain tax risks.

We have established several taxable REIT subsidiaries including our management company. Despite our qualification as a REIT, our taxable REIT subsidiaries must pay income tax on their taxable income. In addition, we must comply with various tests to continue to qualify as a REIT for federal income tax purposes, and our income from and investments in our taxable REIT subsidiaries generally do not constitute permissible income and investments for these tests. While we will attempt to ensure that our dealings with our taxable REIT subsidiaries will not adversely affect our REIT qualification, we cannot provide assurance that we will successfully achieve that result. Furthermore, we may be subject to a 100% penalty tax, or our taxable REIT subsidiaries may be denied deductions, to the extent our dealings with our taxable REIT subsidiaries are not deemed to be arm's length in nature.

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.

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 66 $\frac{2}{3}$ % 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

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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 $66\frac{2}{3}\%$ 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.
- 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.

- 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, 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 2: Unregistered Sales of Equity Securities and Use of Proceeds

None

ITEM 3: Defaults Upon Senior Securities

None

ITEM 4: Submission of Matters to a Vote of Security Holders

None

ITEM 5: Other Information

None

ITEM 6: Exhibits

The Exhibit Index attached to this report is incorporated by reference into this Item 6.

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SIGNATURE

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

CBL & ASSOCIATES PROPERTIES, INC.

/s/ John N. Foy

John N. Foy

Vice Chairman of the Board, Chief Financial

Officer and Treasurer

(Authorized Officer and Principal Financial Officer)

Date: May 8, 2008

INDEX TO EXHIBITS

Exhibit

<u>Number</u>	<u>Description</u>
10.7.9	Letter Agreement, dated March 3, 2008, between the Company and Eric P. Snyder.
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
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.