CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
August 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ___________ TO ______________

COMMISSION FILE NO. 1-12494

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 x No o

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

Yes o No x

As of August 2, 2007, there were 65,657,655 shares of common stock, par value $0.01 per share, outstanding.

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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)

	June 30, 2007	December 31, 2006
ASSETS		
Real estate assets:		
Land	**$ 808,304**	$ 779,727
Buildings and improvements	**6,086,572**	5,944,476
	6,894,876	6,724,203
Less accumulated depreciation	**(999,471)**	(924,297)
	5,895,405	5,799,906
Held for sale	**28,992**	
Developments in progress	**306,470**	294,345
Net investment in real estate assets	**6,230,867**	6,094,251
Cash and cash equivalents	**58,245**	28,700
Receivables:		
Tenant, net of allowance for doubtful accounts of $1,269 in 2007 and $1,128 in 2006	**61,415**	71,573
Other	**16,132**	9,656
Mortgage and other notes receivable	**32,872**	21,559
Investments in unconsolidated affiliates	**98,000**	78,826
Intangible lease assets and other assets	**230,212**	214,245
	$ 6,727,743	$ 6,518,810
LIABILITIES AND SHAREHOLDERS EQUITY		
Mortgage and other notes payable	**$ 4,951,706**	$ 4,564,535
Accounts payable and accrued liabilities	**309,195**	309,969
Total liabilities	**5,260,901**	4,874,504
Commitments and contingencies (Notes 3 and 8)		
Minority interests	**516,732**	559,450
Shareholders equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized:		
8.75% Series B cumulative redeemable preferred stock, 2,000,000 shares outstanding in 2006		20
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2007 and 2006	**5**	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2007 and 2006	**7**	7
Common stock, $.01 par value, 180,000,000 shares authorized, 65,645,516 and 65,421,311 shares issued and outstanding in 2007 and 2006, respectively	**656**	654
Additional paid-in capital	**979,611**	1,074,450
Accumulated other comprehensive income (loss)	**(2,453)**	19
Retained earnings (accumulated deficit)	**(27,716)**	9,701
Total shareholders equity	**950,110**	1,084,856
	$ 6,727,743	$ 6,518,810

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

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CBL & Associates Properties, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
REVENUES:				
Minimum rents	**$ 155,046**	$ 148,447	**$ 309,409**	$ 299,566
Percentage rents	**1,851**	1,793	**8,334**	8,107
Other rents	**3,947**	3,544	**8,362**	7,397
Tenant reimbursements	**74,992**	74,292	**152,715**	149,934
Management, development and leasing fees	**3,954**	1,687	**5,175**	2,764
Other	**6,690**	5,563	**11,670**	11,418
Total revenues	**246,480**	235,326	**495,665**	479,186
EXPENSES:				
Property operating	**38,850**	36,607	**81,917**	76,949
Depreciation and amortization	**60,530**	54,241	**117,174**	108,404
Real estate taxes	**19,864**	20,364	**40,512**	39,450
Maintenance and repairs	**14,011**	13,436	**29,312**	26,001
General and administrative	**10,570**	9,062	**20,767**	18,649
Loss on impairment of real estate assets		274		274
Other	**4,802**	4,520	**8,441**	8,688
Total expenses	**148,627**	138,504	**298,123**	278,415
Income from operations	**97,853**	96,822	**197,542**	200,771
Interest and other income	**2,883**	1,946	**5,628**	3,678
Interest expense	**(68,814)**	(63,661)	**(134,941)**	(127,590)
Loss on extinguishment of debt			**(227)**	
Gain on sales of real estate assets	**2,698**	2,030	**6,228**	2,930
Equity in earnings of unconsolidated affiliates	**1,084**	1,118	**1,682**	3,186
Income tax provision	**(948)**		**(1,751)**	
Minority interest in earnings:				
Operating partnership	**(9,035)**	(17,726)	**(22,598)**	(35,855)
Shopping center properties	**(3,567)**	(673)	**(4,297)**	(1,261)
Income from continuing operations	**22,154**	19,856	**47,266**	45,859
Operating income from discontinued operations	**534**	1,499	**520**	3,751
Gain (loss) on disposal of discontinued operations		7,215	**(55)**	7,215
Net income	**22,688**	28,570	**47,731**	56,825
Preferred dividends	**(11,223)**	(7,642)	**(18,865)**	(15,284)
Net income available to common shareholders	**$ 11,465**	$ 20,928	**$ 28,866**	$ 41,541
Basic per share data:				
Income from continuing operations, net of preferred dividends	**$ 0.17**	$ 0.19	**$ 0.44**	$ 0.48
Discontinued operations	**0.01**	0.14		0.18
Net income available to common shareholders	**$ 0.18**	$ 0.33	**$ 0.44**	$ 0.66
Weighted average common shares outstanding	**65,246**	64,003	**65,178**	63,333
Diluted per share data:				
Income from continuing operations, net of preferred dividends	**$ 0.17**	$ 0.19	**$ 0.43**	$ 0.47
Discontinued operations		0.13	**0.01**	0.17
Net income available to common shareholders	**$ 0.17**	$ 0.32	**$ 0.44**	$ 0.64
Weighted average common and potential dilutive common shares outstanding	**65,922**	65,385	**65,905**	64,857
Dividends declared per common share	**$ 0.5050**	$ 0.4575	**$ 1.0100**	$ 0.9150

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 47,731**	$ 56,825
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**76,554**	70,280
Amortization	**45,323**	43,287
Amortization of debt premiums	**(3,830)**	(3,710)
Net amortization of above and below market leases	**(5,692)**	(4,924)
Gain on sales of real estate assets	**(6,228)**	(2,930)
(Gain) loss on disposal of discontinued operations	**55**	(7,215)
Abandoned development projects	**599**	(65)
Share-based compensation expense	**3,210**	3,654
Loss on extinguishment of debt	**227**	
Income tax benefit from stock options	**1,139**	
Equity in earnings of unconsolidated affiliates	**(1,682)**	(3,186)
Distributions of earnings from unconsolidated affiliates	**3,019**	4,409
Loss on impairment of real estate assets		274
Minority interest in earnings	**26,895**	37,116
Changes in:		
Tenant and other receivables	**6,842**	(2,940)
Other assets	**(784)**	(2,772)
Accounts payable and accrued liabilities	**11,002**	4,003
Net cash provided by operating activities	**204,380**	192,106
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	**(259,679)**	(173,470)
Acquisitions of real estate assets and other assets	**(11,506)**	(7,019)
Changes in other assets	**(5,980)**	(6,577)
Proceeds from sales of real estate assets	**14,586**	109,605
Purchases of available-for-sale securities	**(24,325)**	
Additions to mortgage notes receivable	**(2,453)**	(300)
Payments received on mortgage notes receivable	**1,711**	97
Additional investments in and advances to unconsolidated affiliates	**(24,920)**	(7,862)
Distributions in excess of equity in earnings of unconsoidated affiliates	**4,580**	7,485
Purchase of minority interest in the Operating Partnership	**(17,429)**	(3,462)
Net cash used in investing activities	**(325,415)**	(81,503)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other notes payable	**1,047,530**	163,197
Principal payments on mortgage and other notes payable	**(656,529)**	(129,723)
Additions to deferred financing costs	**(3,532)**	(2,873)
Proceeds from issuance of common stock	**163**	219
Proceeds from exercises of stock options	**2,957**	4,969
Income tax benefit from stock options	**(1,139)**	
Redemption of preferred stock	**(100,000)**	
Prepayment fees on extinguishment of debt	**(233)**	
Distributions to minority interests	**(57,231)**	(56,166)
Dividends paid to holders of preferred stock	**(15,236)**	(15,284)
Dividends paid to common shareholders	**(66,170)**	(63,712)
Net cash provided by (used in) financing activities	**150,580**	(99,373)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**29,545**	11,230
CASH AND CASH EQUIVALENTS, beginning of period	**28,700**	28,838
CASH AND CASH EQUIVALENTS, end of period	**$ 58,245**	$ 40,068
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	**$ 138,886**	$ 125,817

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, except per 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 centers. CBL s shopping center properties are located in 27 states, but primarily in the southeastern and midwestern United States.

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the Operating Partnership). At June 30, 2007, the Operating Partnership owned controlling interests in 72 regional malls/open-air centers, 28 associated centers (each adjacent to a regional shopping mall), four community centers and CBL s corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in seven regional malls, four associated centers and one community center. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and, accordingly, accounts for these investments using the equity method. The Operating Partnership had seven mall expansions, three associated/lifestyle centers, one mixed-use center, three community centers (one of which is owned in a joint venture) and an office building under construction at June 30, 2007. 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 June 30, 2007, 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 54.8% limited partner interest for a combined interest held by CBL of 56.4%.

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 June 30, 2007, CBL s Predecessor owned a 15.0% limited partner interest, Jacobs owned a 19.7% limited partner interest and various third parties owned an 8.9% limited partner interest in the Operating Partnership. CBL s Predecessor also owned 6.3 million shares of CBL s common stock at June 30, 2007, for a total combined effective interest of 20.4% in the Operating Partnership.

The Operating Partnership conducts CBL s property management and development activities through CBL & Associates Management, Inc. (the Management Company) to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the Code). The Operating Partnership owns 100% of 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 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 accounting principles generally accepted in the United States of America 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. The results for the interim periods ended June 30, 2007, are not necessarily indicative of the results to be obtained for the full fiscal year.

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, 2006.

Note 2 Joint Ventures

Equity Method Investments

At June 30, 2007, the Company had investments in the following 13 partnerships and joint ventures, which are accounted for using the equity method of accounting:

Joint Venture	**Property Owned**	**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	%
Imperial Valley Commons L.P.	Imperial Valley Commons	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 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	%

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

	Total for the Three Months Ended June 30,		**Company's Share for the Three Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Revenues	**$ 23,607**	$ 22,116	**$ 11,909**	$ 11,140
Depreciation and amortization expense	**(7,136)**	(6,647)	**(3,621)**	(3,365)
Interest expense	**(8,346)**	(8,442)	**(4,206)**	(4,275)
Other operating expenses	**(7,169)**	(6,245)	**(3,652)**	(3,186)
Gain on sales of real estate assets	**1,253**	1,407	**654**	804
Net income	**$ 2,209**	$ 2,189	**$ 1,084**	$ 1,118

	Total for the Six Months Ended June 30, 2007	2006	Company's Share for the Six Months Ended June 30, 2007	2006
Revenues	**$ 47,169**	$ 46,995	**$ 23,807**	$ 23,646
Depreciation and amortization expense	**(14,032)**	(13,123)	**(7,125)**	(6,643)
Interest expense	**(16,663)**	(17,107)	**(8,398)**	(8,669)
Other operating expenses	**(14,825)**	(13,124)	**(7,512)**	(6,685)
Gain on sales of real estate assets	**1,791**	2,813	**910**	1,537
Net income	**$ 3,440**	$ 6,454	**$ 1,682**	$ 3,186

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 June 30, 2007, Jinsheng owns controlling interests in four home decor shopping malls and two general retail shopping centers.

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 consolidated balance sheet. The Company recorded the warrant at its estimated fair value of $362, which is included in other assets in the accompanying consolidated balance sheet. There were no significant changes to the fair values of the secured note and warrant during the three months ended June 30, 2007.

Variable Interest Entities

In May 2007, the Company entered into a joint venture agreement with certain third parties to develop and operate a lifestyle center in Grand Rapids Township, MI. The Company holds a 50% ownership interest in the joint venture. During the three months ended June 30, 2007, the Company determined that its investment represents a variable interest in a variable interest entity and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying financial statements as of June 30, 2007 on a consolidated basis, with the interests of the third party reflected as minority interest.

In October 2006, the Company entered into a loan agreement with a third party to loan the third party up to $7,300 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The loan agreement provides that, in certain circumstances, the Company may convert the loan to a 25% ownership interest in the third party. As of December 31, 2006, the Company determined that its loan to the third party was a variable interest in a variable interest entity and that the Company was the primary beneficiary. As a result, the Company consolidated this entity as of December 31, 2006.

During the first quarter of 2007, the Company reconsidered its status as the primary beneficiary of this variable interest entity and determined that it no longer was the primary beneficiary. Therefore, the Company ceased consolidating this variable interest entity and has recorded the loan as a mortgage note receivable. The loan bears interest at 9.0% and matures on October 31, 2007.

Note 3 Mortgage and Other Notes Payable

Mortgage and other notes payable consisted of the following at June 30, 2007 and December 31, 2006, respectively:

	June 30, 2007				December 31, 2006		
		Weighted Average Interest				**Weighted Average Interest**	
	Amount	**Rate(1)**			**Amount**	**Rate(1)**	
Fixed-rate debt:							
Non-recourse loans on operating properties	**$ 4,066,960**	**5.93**	%	$	3,517,710	5.99	%
Variable-rate debt:							
Recourse term loans on operating properties	**18,060**	**6.57**	%		101,464	6.48	%
Construction loans	**45,754**	**6.57**	%		114,429	6.61	%
Lines of credit	**820,932**	**6.16**	%		830,932	6.19	%
Total variable-rate debt	**884,746**	**6.19**	%		1,046,825	6.26	%
Total	**$ 4,951,706**	**5.97**	%	$	4,564,535	6.06	%

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

During the three months ended June 30, 2007, the Company obtained two separate ten-year, non-recourse loans totaling $207,520 that bear interest at fixed rates ranging from 5.60% to 5.66%, with a weighted average of 5.61%. The loans are secured by Gulf Coast Town Center and Eastgate Crossing. The proceeds were used to retire two variable rate loans totaling $143,258 and to reduce outstanding balances on the Company s credit facilities.

In March 2007, the Company obtained six separate ten-year, non-recourse loans totaling $417,040 that bear interest at fixed rates ranging from 5.67% to 5.68%, with a weighted average of 5.67%. The loans are secured by Mall of Acadiana, Citadel Mall, The Plaza at Fayette Mall, Layton Hills Mall and its associated center, Hamilton Corner and The Shoppes at St. Clair Square. The proceeds were used to retire $92,050 of mortgage notes payable that were scheduled to mature during the next twelve months and to reduce outstanding balances on the Company s credit facilities. The mortgage notes payable that were retired consisted of two variable rate term loans totaling $51,825 and three fixed rate loans totaling $40,225. The Company recorded a loss on extinguishment of debt of $227 in the six months ended June 30, 2007, related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

Unsecured Line of Credit

The Company has one unsecured credit facility with total availability of $560,000 that bears interest at the London Interbank Offered Rate (LIBOR) plus a margin of 0.75% to 1.20% based on the Company s leverage, as defined in the agreement. The credit facility matures in August 2008 and has three one-year extension options, which are at the Company s election. At June 30, 2007, the outstanding borrowings of $253,000 under the unsecured credit facility had a weighted average interest rate of 6.22%. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility.

Secured Lines of Credit

The Company has four secured lines of credit that are used for construction, acquisition, and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company s operating properties. Borrowings under the secured lines of credit bear interest at a rate of LIBOR plus a margin ranging from 0.80% to 0.90% and had a weighted average interest rate of 6.13% at June 30, 2007. The Company also pays a fee based on the amount of unused availability under its largest secured credit facility at a rate of 0.125% or 0.250%, depending on the level of unused availability. The following summarizes certain information about the secured lines of credit as of June 30, 2007:

Total Available	**Total Outstanding**	**Maturity Date**
$ 476,000	$ 475,232	February 2009
100,000	55,500	June 2009
20,000	20,000	March 2010
17,200	17,200	April 2008
$ 613,200	$ 567,932	

In addition to the borrowings outstanding on the secured lines of credit, there were letters of credit totaling $768 that were also outstanding as of June 30, 2007.

Letters of Credit

At June 30, 2007, the Company had additional secured and unsecured lines of credit with a total commitment of $43,295 that are used only for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled $18,718 at June 30, 2007.

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.

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Maturities

The weighted average remaining term of the Company s consolidated debt was 5.2 years at June 30, 2007 and 4.8 years at December 31, 2006. The Company has one loan in the amount of $40,613 that is scheduled to mature before June 30, 2008. The Company expects to retire or refinance this loan.

Note 4 Shareholders Equity and Minority Interests

During the three and six months ended June 30, 2007, holders of 24,834 and 220,670 special common units of limited partnership interest in the Operating Partnership, respectively, exercised their conversion rights. The Company elected to pay cash of $916 and $9,423, respectively, in exchange for the special common units.

On June 28, 2007, the Company redeemed its 2,000,000 outstanding shares of 8.75% Series B Cumulative Redeemable Stock (the Series B Preferred Stock) for $100,000, representing a liquidation preference of $50.00 per share, plus accrued and unpaid dividends of $2,139. In connection with the redemption of the Series B Preferred Stock, the Company incurred a charge of $3,630 to write off direct issuance costs that were recorded as a reduction of additional paid-in capital when the Series B Preferred Stock was issued. The charge is included in preferred dividends in the accompanying consolidated statements of operations for the three and six month periods ended June 30, 2007.

Note 5 Segment Information

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:

Three Months Ended June 30, 2007	**Malls**	**Associated Centers**	**Community Centers**	**All Other**	**Total**
Revenues	$ 224,346	$ 10,056	$ 2,193	$ 9,885	$ 246,480
Property operating expenses (1)	(77,051)	(1,795)	(600)	6,721	(72,725)
Interest expense	(58,756)	(2,273)	(977)	(6,788)	(68,814)
Other expense				(4,802)	(4,802)
Gain (loss) on sales of real estate assets	(79)		(2)	2,779	2,698
Segment profit and loss	$ 88,460	$ 5,988	$ 594	$ 7,795	102,837
Depreciation and amortization expense					(60,530)
General and administrative expense					(10,570)
Interest and other income					2,883
Equity in earnings of unconsolidated affiliates					1,084
Income tax provision					(948)
Minority interest in earnings					(12,602)
Income from continuing operations					$ 22,154
Capital expenditures (2)	$ 81,154	$ 5,674	$ 1,770	$ 73,159	$ 161,757

Three Months Ended June 30, 2006	Malls	Associated Centers	Community Centers	All Other	Total
Revenues	$ 217,107	$ 9,261	$ 1,973	$ 6,985	$ 235,326
Property operating expenses (1)	(74,481)	(2,051)	(566)	6,691	(70,407)
Interest expense	(53,599)	(1,150)	(705)	(8,207)	(63,661)
Other expense				(4,520)	(4,520)
Gain (loss) on sales of real estate assets	(5)	1,059	(5)	981	2,030
Segment profit and loss	$ 89,022	$ 7,119	$ 697	$ 1,930	98,768
Depreciation and amortization expense					(54,241)
General and administrative expense					(9,062)
Interest and other income					(274)
Equity in earnings of unconsolidated affiliates					1,946
Income tax provision					1,118
Minority interest in earnings					(18,399)
Income from continuing operations					$ 19,856
Capital expenditures (2)	$ 64,679	$ 13,625	$ 207	$ 39,827	$ 118,338

Six Months Ended June 30, 2007	Malls	Associated Centers	Community Centers	All Other	Total
Revenues	$ 454,964	$ 20,613	$ 4,338	$ 15,750	$ 495,665
Property operating expenses (1)	(159,557)	(4,401)	(1,398)	13,615	(151,741))
Interest expense	(112,863)	(4,129)	(1,990)	(15,959)	(134,941)
Other expense				(8,441)	(8,441)
Gain (loss) on sales of real estate assets	(172)	(10)	(11)	6,421	6,228
Segment profit and loss	$ 182,372	$ 12,073	$ 939	$ 11,386	206,770
Depreciation and amortization expense					(117,174)
General and administrative expense					(20,767)
Loss on extinguishments of debt					(227)
Interest and other income					5,628
Equity in earnings of unconsolidated affiliates					1,682
Income tax provision					(1,751)
Minority interest in earnings					(26,895)
Income from continuing operations					$ 47,266
Total assets	$ 5,858,664	$ 347,185	$ 85,058	$ 436,836	$ 6,727,743
Capital expenditures (2)	$ 143,685	15,666	$ 9,755	$ 107,138	$ 276,244

Six Months Ended June 30, 2006	Malls	Associated Centers	Community Centers	All Other	Total
Revenues	$ 443,517	$ 18,413	$ 3,877	$ 13,379	$ 479,186
Property operating expenses (1)	(149,380)	(4,275)	(1,259)	12,514	(142,400)
Interest expense	(107,909)	(2,304)	(1,405)	(15,972)	(127,590)
Other expense				(8,688)	(8,688)
Gain (loss) on sales of real estate assets	(5)	1,059	48	1,828	2,930
Segment profit and loss	$ 186,223	$ 12,893	$ 1,261	$ 3,061	203,438
Depreciation and amortization expense					(108,404)
General and administrative expense					(18,649)
Loss on impairment of real estate assets					(274)
Interest and other income					3,678
Equity in earnings of unconsolidated affiliates					3,186
Minority interest in earnings					(37,116)
Income from continuing operations					$ 45,859
Total assets	$				