CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
November 09, 2009

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 SEPTEMBER 30, 2009

OR

o 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o

Non-accelerated filer o(Do not check if smaller reporting company) Smaller Reporting Company 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 November 2, 2009, there were 137,877,757 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)

	September 30, 2009	December 31, 2008
ASSETS		
Real estate assets:		
Land	$936,617	$902,504
Buildings and improvements	7,584,632	7,503,334
	8,521,249	8,405,838
Accumulated depreciation	(1,499,619)	(1,310,173)
	7,021,630	7,095,665
Developments in progress	246,191	225,815
Net investment in real estate assets	7,267,821	7,321,480
Cash and cash equivalents	63,502	51,227
Cash held in escrow	-	2,700
Receivables:		
Tenant, net of allowance for doubtful accounts of $2,373 in 2009 and $1,910 in 2008	73,833	74,402
Other	11,088	12,145
Mortgage and other notes receivable	41,962	58,961
Investments in unconsolidated affiliates	193,655	207,618
Intangible lease assets and other assets	281,823	305,802
	$7,933,684	$8,034,335
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other notes payable	$5,678,561	$6,095,676
Accounts payable and accrued liabilities	288,206	329,991
Total liabilities	5,966,767	6,425,667
Commitments and contingencies (Notes 3, 5, 10 and 14)		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	96,120	18,393
Redeemable noncontrolling preferred joint venture interest	421,514	421,279
Total redeemable noncontrolling interests	517,634	439,672
Shareholders' equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized:		
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2009 and 2008	5	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2009 and 2008	7	7
Common Stock, $.01 par value, 180,000,000 shares	1,379	664

authorized, 137,876,744 and 66,394,844 issued and outstanding in 2009 and 2008, respectively		
Additional paid-in capital	1,409,580	993,941
Accumulated other comprehensive loss	(2,386)	(12,786)
Accumulated deficit	(218,954)	(193,307)
Total shareholders’ equity	1,189,631	788,524
Noncontrolling interests	259,652	380,472
Total equity	1,449,283	1,168,996
	$7,933,684	$8,034,335

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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
REVENUES:				
Minimum rents	$168,765	$175,796	$511,193	$528,270
Percentage rents	2,851	3,260	9,259	9,866
Other rents	3,382	4,297	11,804	13,515
Tenant reimbursements	78,577	84,615	241,756	250,990
Management, development and leasing fees	1,312	11,512	5,392	16,934
Other	7,881	5,925	20,948	19,245
Total revenues	262,768	285,405	800,352	838,820
EXPENSES:				
Property operating	40,379	48,488	123,751	140,874
Depreciation and amortization	71,261	81,962	225,365	230,106
Real estate taxes	25,812	23,658	74,415	71,735
Maintenance and repairs	13,219	15,440	42,629	48,359
General and administrative	8,808	9,623	31,180	33,268
Other	7,714	5,150	18,785	18,690
Total expenses	167,193	184,321	516,125	543,032
Income from operations	95,575	101,084	284,227	295,788
Interest and other income	1,246	2,225	4,189	7,134
Interest expense	(71,120)	(77,057)	(215,847)	(233,736)
Impairment of investments	(1,143)	(5,778)	(8,849)	(5,778)
Gain on sales of real estate assets	1,535	4,777	1,468	12,122
Equity in earnings of unconsolidated affiliates	271	515	1,867	1,308
Income tax benefit (provision)	1,358	(8,562)	603	(12,757)
Income from continuing operations	27,722	17,204	67,658	64,081
Operating income of discontinued operations	112	126	132	1,462
Gain (loss) on discontinued operations	10	676	(62)	3,788
Net income	27,844	18,006	67,728	69,331
Net income attributable to noncontrolling interests:				
Operating Partnership	(4,758)	(3,068)	(11,173)	(15,195)
Other consolidated subsidiaries	(6,497)	(5,498)	(19,208)	(17,949)
Net income attributable to the Company	16,589	9,440	37,347	36,187
Preferred dividends	(5,455)	(5,455)	(16,364)	(16,364)
Net income available to common shareholders	$11,134	$3,985	$20,983	$19,823

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic per share data:				
Income from continuing operations, net of preferred dividends	$0.08	$0.05	$0.21	$0.24
Discontinued operations	-	0.01	0.01	0.04
Net income available to common shareholders	$0.08	$0.06	$0.22	$0.28
Weighted average common shares outstanding	137,860	71,078	97,557	71,044
Diluted per share data:				
Income from continuing operations, net of preferred dividends	$0.08	$0.05	$0.21	$0.24
Discontinued operations	-	0.01	0.01	0.04
Net income available to common shareholders	$0.08	$0.06	$0.22	$0.28
Weighted average common and potential dilutive common shares outstanding	137,899	71,215	97,593	71,227
Amounts attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	$11,059	$3,521	$20,941	$16,797
Discontinued operations	75	464	42	3,026
Net income available to common shareholders	$11,134	$3,985	$20,983	$19,823
Dividends declared per common share	$0.0500	$0.5450	$0.5300	$1.6350

The accompanying notes are an integral part of these statements.

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

		Equity								
		Shareholders' Equity								
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total	Compre Inc
Balance, January 1, 2008	43,145	$12	$662	$964,676	$(13)	$(70,154)	$895,183	$482,217	$1,377,400	$-
Net income	3,676	-	-	-	-	36,187	36,187	14,374	50,561	69
Impairment of marketable securities	77	-	-	-	3,269	-	3,269	2,432	5,701	5,7
Net unrealized loss on available-for-sale securities	(77)	-	-	-	(3,256)	-	(3,256)	(2,421)	(5,677)	(5,
Unrealized loss on hedging instruments	(40)	-	-	-	(1,676)	-	(1,676)	(1,247)	(2,923)	(2,
Unrealized loss on foreign currency translation adjustment	(38)	-	-	-	(1,639)	-	(1,639)	(1,219)	(2,858)	(2,
Dividends declared - common stock	-	-	-	-	-	(108,354)	(108,354)	-	(108,354)	-
Dividends declared - preferred stock	-	-	-	-	-	(16,363)	(16,363)	-	(16,363)	-
Issuance of common stock and restricted common stock	-	-	1	606	-	-	607	-	607	-
Cancellation of restricted common stock	-	-	-	(507)	-	-	(507)	-	(507)	
Exercise of stock options	-	-	-	584	-	-	584	-	584	-
Accelerated vesting of share-based compensation	-	-	-	35	-	-	35	-	35	-
Accrual under deferred compensation arrangements	-	-	-	302	-	-	302	-	302	-
Amortization of deferred compensation	-	-	-	3,349	-	-	3,349	-	3,349	-
Additions to deferred financing costs	-	-	-	-	-	-	-	34	34	
Income tax benefit from share-based compensation	119	-	-	3,703	-	-	3,703	3,650	7,353	-
Distributions to noncontrolling interests	(5,014)	-	-	-	-	-	-	(83,563)	(83,563)	-
Contributions from noncontrolling interests in Operating Partnership	-	-	-	-	-	-	-	2,832	2,832	-
Adjustment for noncontrolling interests	(1,477)	-	-	196	-	-	196	1,281	1,477	-

Reclassification of noncontrolling interests related to deconsolidation	-	-	-	-	-	-	-	(3,257)	(3,257)	-
Adjustment to record redeemable noncontrolling partnership interest at redemption value	(2,686)	-	-	2,686	-	-	2,686	-	2,686	-
Balance, September 30, 2008	$37,685	$12	$663	$975,630	$(3,315)	$(158,684)	$814,306	$415,113	$1,229,419	$63

The accompanying notes are an integral part of these statements.

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

		Equity							
		Shareholders' Equity							
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total
Balance, January 1, 2009	$18,393	$12	$664	$993,941	$(12,786)	$(193,307)	$788,524	$380,472	$1,168,99
Net income	5,210	-	-	-	-	37,347	37,347	9,658	47,005
Net unrealized gain (loss) on available-for-sale securities	273	-	-	-	1,023	-	1,023	(16)	1,007
Unrealized gain on hedging instruments	574	-	-	-	5,459	-	5,459	2,402	7,861
Realized gain (loss) on foreign currency translation adjustment	3	-	-	-	44	-	44	(249)	(205
Unrealized gain on foreign currency translation adjustment	480	-	-	-	3,874	-	3,874	1,954	5,828
Dividends declared - common stock	-	-	-	-	-	(46,630)	(46,630)	-	(46,630
Dividends declared - preferred stock	-	-	-	-	-	(16,364)	(16,364)	-	(16,364
Issuance of common stock and restricted common stock	-	-	1	562	-	-	563	-	563
Issuance of common stock for dividend	-	-	48	14,691	-	-	14,739	-	14,739
Issuance of common stock in equity offering	-	-	666	381,157	-	-	381,823	-	381,823
Cancellation of restricted common stock	-	-	-	(117)	-	-	(117)	-	(117
Accrual under deferred compensation arrangements	-	-	-	46	-	-	46	-	46
Amortization of deferred compensation	-	-	-	1,877	-	-	1,877	-	1,877
Additions to deferred financing costs	-	-	-	-	-	-	-	35	35
Transfer from noncontrolling interests to redeemable noncontrolling interests	82,970	-	-	-	-	-	-	(82,970)	(82,970
Issuance of noncontrolling interests for distribution	-	-	-	-	-	-	-	4,140	4,140

Distributions to noncontrolling interests	(11,271)	-	-	-	-	-	-	(38,363)	(38,363
Purchase of noncontrolling interests in other consolidated subsidiaries	-	-	-	217	-	-	217	(717)	(500
Adjustment for noncontrolling interests	(4,521)	-	-	21,215	-	-	21,215	(16,694)	4,521
Adjustment to record redeemable noncontrolling partnership interest at redemption value	4,009	-	-	(4,009)	-	-	(4,009)	-	(4,009
Balance, September 30, 2009	$96,120	$12	$1,379	$1,409,580	$(2,386)	$(218,954)	$1,189,631	$259,652	$1,449,28

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$67,728	$69,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	145,389	135,314
Amortization	87,017	102,703
Net amortization of debt premiums and discounts	(5,357)	(5,918)
Net amortization of above- and below-market leases	(4,511)	(6,896)
Gain on sales of real estate assets	(1,468)	(12,122)
Realized foreign currency loss	76	-
(Gain) loss on discontinued operations	62	(3,788)
Write-off of development projects	1,346	2,944
Share-based compensation expense	2,363	4,028
Income tax benefit from share-based compensation	-	7,472
Impairment of investments	8,849	5,778
Equity in earnings of unconsolidated affiliates	(1,867)	(1,308)
Distributions of earnings from unconsolidated affiliates	8,175	10,904
Changes in:		
Tenant and other receivables	1,619	(2,601)
Other assets	(5,643)	(7,104)
Accounts payable and accrued liabilities	(5,931)	15,361
Net cash provided by operating activities	297,847	314,098
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(174,163)	(359,170)
Cash removed from (placed in) escrow	2,700	(2,700)
Proceeds from sales of real estate assets	7,183	67,997
Additions to mortgage notes receivable	(3,851)	(544)
Payments received on mortgage notes receivable	14,297	105,327
Additional investments in and advances to unconsolidated affiliates	(56,895)	(95,003)
Distributions in excess of equity in earnings of unconsolidated affiliates	60,614	49,073
Purchase of noncontrolling interests in other consolidated subsidiary	(500)	-
Changes in other assets	27,424	(9,243)
Net cash used in investing activities	(123,191)	(244,263)

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other notes payable	$456,362	$1,023,692
Principal payments on mortgage and other notes payable	(868,120)	(854,285)
Additions to deferred financing costs	(13,422)	(5,303)
Proceeds from issuances of common stock	381,928	261
Proceeds from exercises of stock options	-	584
Income tax benefit from share-based compensation	-	(7,472)
Contributions from noncontrolling interests in other consolidated subsidiaries	-	2,832
Distributions to noncontrolling interests	(54,530)	(102,749)
Dividends paid to holders of preferred stock	(16,364)	(16,364)
Dividends paid to common shareholders	(49,564)	(108,349)
Net cash used in financing activities	(163,710)	(67,153)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	1,329	(1,023)
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,275	1,659
CASH AND CASH EQUIVALENTS, beginning of period	51,227	65,826
CASH AND CASH EQUIVALENTS, end of period	$63,502	$67,485
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	$218,911	$239,828

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, community centers and office properties. CBL’s shopping center properties are located in 27 states and in Brazil, 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 September 30, 2009, the Operating Partnership owned controlling interests in 75 regional malls/open-air centers, 30 associated centers (each adjacent to a regional mall), nine community centers, one mixed-use center and 13 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. At September 30, 2009, the Operating Partnership owned noncontrolling interests in nine regional malls/open-air centers, three associated centers, five 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 three community/open-air centers (two of which are owned in joint ventures) under construction at September 30, 2009. 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 September 30, 2009, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned a 71.6% limited partner interest for a combined interest held by CBL of 72.6%.

The noncontrolling 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 a limited partner interest when the Operating Partnership acquired the majority of Jacobs’ interests in 23 properties in January 2001 and the balance of such interests in February 2002. At September 30, 2009, CBL’s Predecessor owned a 9.8% limited partner interest, Jacobs owned a 12.1% limited partner interest and third parties owned a 5.5% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 7.2 million shares of CBL’s common stock at September 30, 2009, for a total combined effective interest of 13.6% 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 September 30, 2009, 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. Certain properties for which the financial results were originally reported as discontinued operations in the condensed consolidated financial statements for the three and nine month periods ended September 30, 2008 no longer meet the criteria to be classified as held for sale and are, thus, currently reflected in continuing operations for all periods presented. Except where noted, the information presented in the Notes to Unaudited Condensed Consolidated Financial Statements excludes discontinued operations. See Note 6 for further discussion. Also see Notes 4 and 8 for discussion regarding the impact on the presentation of the condensed consolidated financial statements and share information related to the adoption of certain accounting pronouncements as of January 1, 2009.

In April 2009, the Company paid its first quarter dividend on its common stock. The Company issued 4,754,355 shares of its common stock in connection with the dividend, which resulted in an increase of 7.2% in the number of shares outstanding. The Company elected to treat the issuance of its common stock as a stock dividend for earnings per share purposes. Therefore, all share and per share information related to earnings per share for all periods presented have been adjusted proportionately to reflect the additional common stock issued. See Note 8 for further discussion.

The Company has evaluated subsequent events through November 9, 2009, which is the date these financial statements were issued. See Note 14 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 Current Report on Form 8-K dated July 27, 2009.

Note 2 – New Accounting Guidance

Accounting Guidance Adopted

Effective January 1, 2009, the Company adopted new accounting guidance related to fair value measurements of nonfinancial assets and liabilities. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements. See Note 3 for further information.

Effective January 1, 2009, the Company adopted new accounting guidance related to noncontrolling interests in consolidated financial statements. See Noncontrolling Interests in Note 4 for further information regarding the adoption of this guidance, which did have an impact on the Company's condensed consolidated financial statements.

Effective January 1, 2009, the Company adopted new accounting guidance related to disclosures about derivative instruments and hedging activities. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements, but did require additional disclosures regarding the Company's hedging activities. See Interest Rate Hedge Instruments in Note 5 for further information.

Effective January 1, 2009, the Company adopted new accounting guidance related to determining whether instruments granted in share-based payment transactions are participating securities. The adoption did not have a material impact on the Company's earnings per share. See Note 8 for further information.

Effective January 1, 2009, the Company adopted new accounting guidance related to business combinations that changes certain aspects of current business combination accounting for business combinations entered into subsequent to December 31, 2008. The guidance requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and noncontrolling 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. The Company will apply the provisions of this guidance to future business combinations.

Effective January 1, 2009, the Company adopted new accounting guidance related to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The new accounting guidance amends previous guidance regarding accounting for pre-acquisition contingencies to more closely resemble the guidance originally issued for business combinations. According to the new guidance, an acquirer is required to recognize assets or liabilities arising from contingencies at fair value if fair value can be reasonably estimated. Otherwise, the asset or liability would generally be recognized in accordance with guidance related to accounting for contingencies. The provisions of the new accounting guidance are prospectively applied to business combinations completed subsequent to December 31, 2008. The Company will apply the provisions of this guidance to future business combinations.

Effective April 1, 2009, the Company adopted new accounting guidance related to determining fair value when the volume and level of activity for an asset or liability have significantly decreased and regarding identifying transactions that are not orderly. The new accounting guidance provides additional clarification on estimating fair value when the volume and level of activity for an asset or liability has significantly decreased or when circumstances indicate that a transaction is not orderly. The adoption did not have an impact on the Company's condensed consolidated financial statements.

Effective April 1, 2009, the Company adopted new accounting guidance related to recognition and presentation of other-than-temporary impairments to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in an entity's financial statements. The new accounting guidance does not amend the existing recognition and measurement guidance on other-than-temporary impairments of debt and equity securities. The adoption did not have an impact on the Company's condensed consolidated financial statements, but did require additional disclosures regarding the Company's other-than-temporary impairments. See Notes 3 and 4 for further information.

Effective April 1, 2009, the Company adopted new accounting guidance related to interim disclosures about fair value of financial instruments that amends existing fair value disclosure and interim reporting requirements to require disclosures about fair value of financial instruments for interim reporting periods. The adoption did not have an impact on the Company's condensed consolidated financial statements, but did require additional disclosures regarding the fair value of the Company's financial instruments. See Note 3 for further information.

Effective April 1, 2009, the Company adopted new accounting guidance related to subsequent events that establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date, but before the issuance of the financial statements. The guidance requires entities to disclose the date through which an entity has evaluated subsequent events, which for public companies, shall be the date the financial statements are issued. The adoption did not have an impact on the Company's condensed consolidated financial statements.

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Effective July 1, 2009, the Company adopted the "Financial Accounting Standards Board ("FASB") Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP. The Codification did not result in changes to current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one area. All existing accounting standard documents have been superseded and all other accounting literature not included in the Codification is considered nonauthoritative. Subsequent to the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Rather, it is issuing Accounting Standard Updates ("ASUs"), which are to serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. The adoption of the Codification did not have an impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In June 2009, the FASB issued new accounting guidance regarding accounting for transfers of financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional related disclosures. The new accounting guidance is effective for fiscal years beginning after November 15, 2009. The Company is currently assessing the potential impact, if any, of the adoption of this guidance on its condensed consolidated financial statements.

In June 2009, the FASB issued new accounting guidance which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting, or similar, rights should be consolidated. The guidance clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This guidance requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. It also requires additional disclosure about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. The guidance is effective for fiscal years beginning after November 15, 2009. The Company is currently assessing the potential impact of the adoption of this guidance on its condensed consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, Fair Value Measurements and Disclosures ("ASU 2009-05"). ASU 2009-05 provides clarification on measuring the fair value of a liability. In circumstances in which a quoted market price in an active market for the identical liability is not available, a reporting entity is required to measure fair value by using either (i) a valuation technique that uses quoted prices for identical or similar liabilities or (ii) another valuation technique, such as present value calculations or a technique based on the amount paid or received by the reporting entity to transfer an identical liability. ASU 2009-05 is effective for interim periods beginning after its issuance. The Company is currently assessing the potential impact, if any, of the adoption of this guidance on its condensed consolidated financial statements.

Note 3 – Fair Value Measurements

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 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.

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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 tables set forth information regarding the Company's financial instruments that are measured at fair value in the condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008:

		Fair Value Measurements at September 30, 2009 Using		
	Fair Value at September 30, 2009	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	$5,490	$5,490	$-	$ -
Privately held debt and equity securities	2,475	-	-	2,475
Interest rate cap	23	-	23	-
Liabilities:				
Interest rate swaps	$7,101	$-	$7,101	$ -

		Fair Value Measurements at December 31, 2008 Using		
	Fair Value at December 31, 2008	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	$4,209	$4,209	$ -	$ -
Privately held debt and equity securities	4,875	-	-	4,875
Interest rate cap	30	-	30	-
Liabilities:				

Interest rate swaps	$15,570	$-	$ 15,570	$ -

Other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities that are classified as available for sale. Net 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 redeemable noncontrolling interests, shareholders' equity and noncontrolling interests. If a decline in the value of an investment is deemed to be other than temporary, the investment is written down to fair value and an impairment loss is recognized in the current period to the extent of the decline in value. During the three and nine months ended September 30, 2009, the Company did not recognize any realized gains or losses 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 following is a summary of the available-for-sale securities held by the Company as of September 30, 2009 and December 31, 2008:

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2009	$4,207	$1,291	$(8)	$5,490
December 31, 2008	$4,207	$2	$-	$4,209

The Company holds a secured convertible promissory note from, and a warrant to acquire shares of, Jinsheng Group ("Jinsheng"), an established mall operating and real estate development company located in Nanjing, China, in which the Company also holds a cost-method investment. The secured convertible note is non-interest bearing and is secured by shares of Jinsheng. Since the secured convertible note is non-interest bearing and there is no active market for Jinsheng's debt, the Company performed an analysis on the note considering credit risk and discounting factors to determine the fair value. The warrant was initially 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. As part of its investment review as of March 31, 2009, the Company determined that its investment in Jinsheng was impaired on an other-than-temporary basis due to a decline in expected future cash flows as a result of declining occupancy and sales related to the downturn of the real estate market in China. An impairment charge of $2,400 is recorded in the Company's condensed consolidated statement of operations for the nine month period ended September 30, 2009 to reduce the carrying values of the secured convertible note and warrant to their estimated fair values. The Company performed a quantitative and qualitative analysis of its investment as of September 30, 2009 and determined that the current balance of the secured convertible note and warrant of $2,475 is not impaired. A rollforward of the Company's secured convertible note and warrant is as follows:

Balance at January 1, 2009	$4,875
Impairment loss recognized in earnings	(2,400)
Balance at September 30, 2009	$2,475

See Note 4 for further discussion.

The Company uses interest rate swaps to mitigate the effect of interest rate movements on its variable-rate debt. The Company currently has four 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. Thus, changes in the fair values of the swaps are 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 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") information, consideration of the Company's credit standing, credit risk of the counterparties and reasonable estimates about relevant future market conditions.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage notes receivable is a reasonable estimate of fair value. The estimated fair value of mortgage and other notes payable was $5,198,063 and $5,506,725 at September 30, 2009 and December 31, 2008, respectively. The estimated fair value was calculated by discounting future cash flows for the notes payable using estimated market rates at which similar loans would be made currently.

Assets and liabilities measured at fair value on a recurring basis must be disclosed separately from those measured at fair value on a nonrecurring basis. As of September 30, 2009, no assets or liabilities were measured at fair value on a nonrecurring basis.

In February 2008, the FASB delayed the effective date of a portion of certain new accounting guidance related to nonfinancial assets and liabilities, except for items 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. Effective January 1, 2009, the Company adopted this portion of the new accounting guidance. The adoption had no impact on the Company's condensed consolidated financial statements. These provisions will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption.

Note 4 – Unconsolidated Affiliates, Noncontrolling Interests and Other Partially Owned Investments

Unconsolidated Affiliates

At September 30, 2009, the Company had investments in the following 22 entities, which are accounted for using the equity method of accounting:

Joint Venture	Property Name	Company's Interest
CBL Brazil	Plaza Macae	60.0%
CBL Macapa	Macapa Shopping	60.0%
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center and a portfolio of six office buildings	50.0%
CBL-TRS Joint Venture II, LLC	Renaissance Center	50.0%
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%
High Pointe Commons II-HAP, LP	High Pointe Commons - Christmas Tree Shop	50.0%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0%
JG Gulf Coast Town Center	Gulf Coast Town Center	50.0%
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	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%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0%
West Melbourne I, LLC	Hammock Landing Phase I	50.0%
West Melbourne II, LLC	Hammock Landing Phase II	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 Nine Months Ended September 30,		Company's Share for the Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	$124,074	$116,381	$71,173	$60,751
Depreciation and amortization of real estate assets	(38,925)	(40,851)	(22,492)	(21,112)
Interest expense	(38,794)	(40,898)	(22,760)	(20,872)
Other operating expenses	(42,057)	(38,240)	(24,931)	(20,175)
Gain on sales of real estate assets	1,687	4,087	877	2,716
Net income	$5,985	$479	$1,867	$1,308

	Total for the Three Months Ended September 30,		Company's Share for the Three Months Ended September 30,	
	2009	2008	2009	2008
Revenues	$41,695	$38,462	$23,181	$20,377
Depreciation and amortization of real estate assets	(13,051)	(14,848)	(7,428)	(7,741)
Interest expense	(13,275)	(13,619)	(7,398)	(7,038)
Other operating expenses	(14,395)	(13,674)	(8,315)	(7,370)
Gain (loss) on sales of real estate assets	(2)	3,621	231	2,287
Net income (loss)	$972	$(58)	$271	$515

In October 2007, the Company entered into a condominium partnership agreement with several individual investors and a former land owner to acquire a 60% interest in a new retail development in Macaé, Brazil. The retail center opened in September 2008. As of September 30, 2009, the Company had incurred total funding of $24,979, net of distributions received of $841. In October 2009, the Company entered into an agreement to sell its interest in this partnership, subject to satisfaction of certain requirements customary to transactions of this nature, for a gross sales price of $24,200, less brokerage commissions and other closing costs for a net sales price of $23,836. The sale is expected to close during the fourth quarter of 2009, subject to due diligence and customary closing conditions. As part of its review process as of September 30, 2009, the Company determined that the partnership investment is impaired due to the net loss that is projected at the time of closing on the sale. The Company performed a quantitative and qualitative analysis of its investment as of September 30, 2009 and determined that the impairment is other than temporary. As a result, the Company recorded an impairment charge of $1,143 during the three month period ended September 30, 2009.

In April 2008, the Company entered into a 50/50 joint venture, TENCO-CBL Servicos Imobiliarios S.A., with TENCO Realty S.A. to form a property management services organization in Brazil. The Company had contributed $2,000 and, in February 2009, negotiated the exercise of its put option right to divest of its portion of the investment in the TENCO-CBL Servicos Imobiliarios S.A. pursuant to the joint venture's governing agreement. Under the terms of the agreement, TENCO Realty S.A. paid the Company $250 on March 31, 2009, and will pay monthly installments beginning January 2010 totaling $250 annually with an interest rate of 10% and a balloon payment of $1,250 on December 31, 2011.

In September 2008, the Company entered into a condominium partnership agreement with several individual investors to acquire a 60% interest in a new retail development in Macapa, Brazil. In February 2009, the Company negotiated a divestment agreement with its Macapa partners obligating the Company to fund an additional $592 to reimburse the other partners for previously incurred land acquisition costs in exchange for the termination of any future obligations on the part of the Company to fund development costs, and to provide the other partners the option to purchase the Company's interest in this partnership for an amount equal to its investment balance. As of September 30, 2009, the Company had incurred total funding of $1,189, including the $592 of reimbursements noted above.

Noncontrolling Interests

Effective January 1, 2009, the Company adopted new accounting guidance regarding noncontrolling interests in consolidated financial statements. The new accounting guidance requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to a noncontrolling interest be presented separately, net of tax, below net income on the Company's condensed consolidated statements of operations. These changes are to be applied on a retrospective basis. As a result, the adoption resulted in certain presentation reclassifications and adjustments in the Company's condensed consolidated financial statements for all periods presented. Any previous minority interests for which the related partnership agreements either do not include redemption provisions or may be redeemed with the Company's stock, at its election, were reclassified to noncontrolling interests in the equity section of the Company's condensed consolidated balance sheets at their carrying value. The presentation of net income attributable to noncontrolling interests was reclassified in the condensed consolidated statements of operations for all periods presented and is included as a reduction to net income to derive net income attributable to the Company.

On a prospective basis, the new accounting guidance also requires that after control of an investment or subsidiary is obtained, a change in ownership interest 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. During the second quarter of 2009, the Company purchased the outstanding ownership interest of a noncontrolling investor for $500. This purchase did not result in a loss of control and, thus, was accounted for as an equity transaction.

The FASB has amended certain accounting guidance regarding the classification and measurement of redeemable securities to reflect the issuance of the new accounting pronouncement on noncontrolling interests. In connection with the Company's retrospective adoption of the noncontrolling interests accounting guidance, a concurrent review of the measurement provisions of the guidance regarding redeemable securities was performed and retrospectively adopted. The Company initially identified one limited partner in the Operating Partnership and partners in five other consolidated subsidiaries that can require the Company to redeem their interests in the future with cash or real property. Accordingly, pursuant to the provisions of the guidance regarding redeemable securities, the Company's redeemable noncontrolling interests were recorded for all periods presented at the higher of their redemption values or their values pursuant to previous guidance as of the end of the period, with any changes in value being reflected in retained earnings, or in the event of a deficit, in additional paid-in capital, and continue to be reported within temporary equity in the Company's condensed consolidated balance sheets. Subsequent adjustments to the carrying amounts of these redeemable noncontrolling interests to reflect any changes in their redemption values at the end of each reporting period are to be recorded in the same manner. Adoption of the amended guidance resulted in a decrease to additional paid-in capital of $14,942 as of December 31, 2008.

In contemplation of the common stock offering (see Note 8), certain holders of units in the Operating Partnership, including certain affiliates of CBL's Predecessor and certain affiliates of Jacobs (collectively, the "Deferring Holders"), entered into a Forbearance and Waiver Agreement, dated June 2, 2009 (the "Forbearance Agreement"), with the Company. The Deferring Holders agreed to defer their right to exchange an aggregate of 37,000,000 of their Operating Partnership units for shares of our common stock or cash (at our election), until the earlier of (A) the close of business on the date upon which the Company effectively amends its Certificate of Incorporation to increase its authorized share capital to include at least 217,000,000 shares of common stock (the "Replenishment Date") or (B) December 31, 2009. The Deferring Holders also agreed to waive the Company's obligation under the Operating Partnership Agreement to reserve a sufficient number of shares of common stock to satisfy the Operating Partnership exchange rights with respect to such units until the Replenishment Date, regardless of when such date occurs.

If, following the deferral period described above, the Deferring Holders were to exercise their exchange rights before the Company had available a sufficient number of authorized shares of its common stock to deliver in satisfaction of such exchange rights, the Company would be compelled to satisfy such rights with cash payments to the extent it did not have sufficient shares of common stock available. As a result, the portion of the noncontrolling interests in the Operating Partnership attributable to the Deferring Holders' Operating Partnership units that are in excess of the authorized number of shares of common stock has been reclassified to redeemable noncontrolling interests as of September 30, 2009 and recorded pursuant to the provisions of the amended guidance regarding redeemable securities.

On October 7, 2009, the Company reconvened its special meeting of stockholders, previously convened on September 21, 2009, during which stockholder approval was obtained to amend the Certificate of Incorporation to reflect an increase in the number of authorized shares of common stock from 180,000,000 shares to 350,000,000 shares. As such, subsequent to September 30, 2009, the Forbearance Agreement of the Deferring Holders expired in accordance with its terms and the units subject to that agreement will be reclassified to noncontrolling interests in the fourth quarter of 2009.

The total redeemable noncontrolling interest in the Operating Partnership was $85,320 and $12,072 at September 30, 2009 and December 31, 2008, respectively. The total noncontrolling interest in the Operating Partnership was $259,024 and $379,408 at September 30, 2009 and December 31, 2008, respectively.

The redeemable noncontrolling partnership interests includes the third party interest in the Company's investment interest in an entity that provides security and maintenance services. The redeemable noncontrolling preferred joint venture interest includes the perpetual preferred joint venture units ("PJV units") issued to Westfield Group ("Westfield") for the acquisition of certain properties as more fully described in Note 10. Activity related to the redeemable noncontrolling preferred joint venture interest represented by the PJV units is as follows:

	Nine Months Ended September 30,	
	2009	2008
Beginning Balance	$421,279	$420,300
Net income attributable to redeemable noncontrolling preferred joint venture interest	15,513	15,094
Distributions to redeemable noncontrolling preferred joint venture interest	(15,278)	(14,172)
Ending Balance	$421,514	$421,222

Cost Method Investments

In February 2007, the Company acquired a 6.2% minority interest in subsidiaries of Jinsheng for $10,125. As of September 30, 2009, 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 noncontrolling 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 initially 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 and recognized as interest income over the term of the secured note using the effective interest method. The noncontrolling interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets. The Company initially recorded the warrant at its estimated fair value of $362, which is included in other assets in the accompanying condensed consolidated balance sheets. See Note 3 for information regarding the current fair value of the secured note and warrant.

As part of its investment review as of March 31, 2009, the Company determined that its noncontrolling interest in Jinsheng was impaired on an other-than-temporary basis due to a decline in expected future cash flows. The decrease resulted from declining occupancy rates and sales due to the then downturn of the real estate market in China. An impairment charge of $5,306 is recorded in the Company's condensed consolidated statement of operations for the nine months ended September 30, 2009 to reduce the carrying value of the Company's cost-method investment to its estimated fair value. The Company performed a quantitative and qualitative analysis of its noncontrolling investment as of September 30, 2009 and determined that the current balance of its investment is not impaired. A rollforward of the Company's noncontrolling interest is as follows:

Balance at January 1, 2009	$10,125
Impairment loss recognized in earnings	(5,306)
Balance at September 30, 2009	$4,819

Note 5 – Mortgage and Other Notes Payable

Mortgage and other notes payable consisted of the following at September 30, 2009 and December 31, 2008, respectively:

	September 30, 2009			December 31, 2008		
	Amount	Weighted Average Interest Rate (1)		Amount	Weighted Average Interest Rate (1)	
Fixed-rate debt:						
Non-recourse loans on operating properties	$3,959,656	6.02	%	$4,046,653	6.14	%
Recourse loans on operating properties (2)	161,606	5.71	%	161,694	5.71	%
Secured line of credit (3)	400,000	4.45	%	400,000	4.45	%
Total fixed-rate debt	4,521,262	5.86	%	4,608,347	5.99	%
Variable-rate debt:						
Recourse loans on operating properties	283,138	1.69	%	262,946	2.49	%
Unsecured line of credit	200,000	1.17	%	522,500	1.92	%
Secured lines of credit	126,050	3.81	%	149,050	1.45	%
Unsecured term facilities	437,494	1.61	%	437,494	1.88	%
Construction loans	110,617	2.46	%	115,339	1.74	%
Total variable-rate debt	1,157,299	1.80	%	1,487,329	1.95	%
Total	$5,678,561	5.03	%	$6,095,676	5.01	%

(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 $127,500 as of September 30, 2009 and December 31, 2008 related to two of its variable-rate recourse loans on operating properties to effectively fix the interest rates on those loans. Therefore, these amounts are currently reflected in fixed-rate debt.
(3) The Company has entered into interest rate swaps on notional amounts totaling $400,000 as of September 30, 2009 and December 31, 2008 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

As of September 30, 2009, the Company had an unsecured credit facility with total capacity of $560,000, bearing interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage ratio, as defined in the agreement to the facility. Additionally, the Company was required to pay an annual fee of 0.1% of the amount of total capacity of the unsecured credit facility. The credit facility had an original maturity in August 2010 and had a one-year extension option, which was at the Company's election, for an outside maturity date of August 2011. At September 30, 2009, the outstanding borrowings of $200,000 under the unsecured credit facility had a weighted average interest rate of 1.17%.

On November 2, 2009, the Company closed on an extension and modification of its unsecured facility, which provides for maintaining the total capacity of $560,000 (the "$560,000 new secured facility"). The facility will be converted over an 18-month period into a new secured facility and the maturity of the facility was extended to August 2011, with an extension option at the Company's election (subject to continued compliance with the terms of the facility), for an outside maturity date of April 2014. The conversion of the unsecured facility to a secured facility will take place as the Company uses availability under the facility to retire several non-recourse, property-specific commercial mortgage-backed securities ("CMBS") mortgages that mature in 2009, 2010 and 2011. The Company intends to retire these mortgages at the earliest dates on which they may be prepaid at par or their scheduled maturity dates in order to avoid any prepayment fees. The real estate assets securing these mortgages will then be pledged as collateral to secure the facility. Certain assets were pledged as collateral as of the closing.

The modified facility will bear interest at an annual rate equal to one-month, three-month or six-month LIBOR (at the Company's option) with LIBOR subject to a minimum of 1.50% plus a spread that increases over the facility's term, commencing with a margin of 0.75% to 1.20%, based on the Company's leverage ratio, through August 2010, a margin of 1.45% to 1.90% through August 2011 and increasing thereafter to 3.25% to 4.25% until April 2014. Additionally, the Company must pay an annual fee of 0.35%, to be paid quarterly, based upon any unused commitment of the credit facility and will pay a one-time fee of 1.067% of the total capacity of the facility should the Company exercise its option to extend the maturity date to April 2014. There were no significant changes to the facility's debt covenants.

Unsecured Term Facilities

In April 2008, the Company entered into an unsecured term facility with total capacity of $228,000 that bears interest at LIBOR plus a margin of 1.50% to 1.80% based on the Company's leverage ratio, as defined in the agreement to the facility. At September 30, 2009, the outstanding borrowings of $228,000 under the unsecured term facility had a weighted average interest rate of 1.85%. The facility matures in April 2011 and has two one-year extension options, which are at the Company's election, for an outside maturity date of April 2013.

The Company has an unsecured term facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. At September 30, 2009, the outstanding borrowings of $209,494 under this facility had a weighted average interest rate of 1.35%. The Company completed its acquisition of the properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured term 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 term facility must be used to pay down any remaining outstanding balance. The facility matures in November 2010 and has two one-year extension options, which are at the Company's election, for an outside maturity date of November 2012.

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 4.25% and had a weighted average interest rate of 4.14% at September 30, 2009, including the portion with a receive-variable/pay-fixed interest rate swap. 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%. The following summarizes certain information about the secured lines of credit as of September 30, 2009:

Total Capacity	Total Outstanding	Maturity Date
$ 525,000	$ 483,850	February 2012
105,000	5,000	June 2011
20,000	20,000	March 2010
17,200	17,200	April 2010
$ 667,200	$ 526,050	

In September 2009, the Company extended and modified its $525,000 secured credit facility, of which Wells Fargo Bank NA serves as administrative agent for the lender group. The facility's maturity date was extended from February 2010 to February 2012, with an option to extend the maturity date for one additional year to February 2013 (subject to continued compliance with the terms of the facility). The interest rate on the facility was modified to bear interest at an annual rate equal to the one-month, three-month, or six-month LIBOR (at the Company's option) plus 325 to 425 basis points, with LIBOR subject to a minimum of 1.50% for periods commencing on or after December 31, 2009. The Company paid aggregate fees of approximately $7,510, reflected in intangible lease assets and other assets in the Company's condensed consolidated balance sheet as of September 30, 2009, in connection with the extension and modification of the credit facility and is required to pay an annual fee of 35 basis points, to be paid quarterly, based upon any unused commitment. The Company must pay a one-time extension fee of 35 basis points should it exercise its option to extend the maturity date to February 2013. There were no significant changes to the facility's debt covenants.

The agreements to the Company's $560,000 new secured line of credit and $525,000 secured line of credit and the unsecured term facilities with balances of $209,494 and $228,000 as of September 30, 2009, each with the same lender, and agreements to the Company's $20,000 and $17,200 secured lines of credit contain default provisions customary for transactions of this nature and also contain cross-default provisions.

Letters of Credit

At September 30, 2009, the Company had additional secured and unsecured lines of credit with a total commitment of $38,410 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled $17,586 at September 30, 2009.

Covenants and Restrictions

The $560,000 new secured line of credit and $525,000 secured line of credit agreements contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. The agreements to these credit facilities contain default provisions customary for transactions of their nature (with applicable customary grace periods), and also contain cross-default provisions in the event (i) there is a default in the payment of any indebtedness owed by the Company to any institution which is a part of the lender groups for the credit facilities, or (ii) there is any other type of default with respect to any indebtedness owed by the Company to any institution which is a part of the lender groups for the credit facilities and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreements provide that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under these credit facilities and those facilities with which these agreements reference cross-default provisions may be accelerated and the lenders' commitments may be terminated. The Company was in compliance with all covenants and restrictions at September 30, 2009.

Forty-six 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. 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.

Scheduled Principal Maturities

As of September 30, 2009, the scheduled principal maturities of the Company's consolidated debt, excluding extensions available at the Company's option, on all mortgage and other notes payable, including construction loans and lines of credit, are as follows:

2009	$	68,106
2010		1,239,229
2011		673,113
2012		1,075,988
2013		450,554
Thereafter		2,161,910
		5,668,900
Net unamortized premiums		9,661

	$ 5,678,561

Of the $68,106 of scheduled principal maturities in 2009, one loan in the amount of $15,600 has a one-year extension available at the Company’s option, leaving a maturity of $52,506 in 2009 that must be retired or refinanced. The $52,506 represents a non-recourse, property-specific CMBS loan that matures in December 2009. The Company intends to pay off this loan with availability on its $560,000 new secured credit facility, at which time the property will be pledged as collateral to secure the credit facility.

Of the $1,239,229 of scheduled principal maturities in 2010, maturities representing $725,090 have extensions available at the Company's option, leaving maturities of $514,139 in 2010 that must be retired or refinanced. These maturities consist of two secured facilities totaling $37,200 and eleven operating property loans totaling $476,939. The Company paid off the two secured facilities on November 2, 2009, upon closing of the extension and modification of its $560,000 new secured credit facility and intends to pay off several of the operating property loans with remaining availability as they become due or at any such earlier time when the loans may be prepaid at par without penalty, at which time the properties supporting these loans will be pledged as collateral to secure the credit facility. The Company also intends to refinance certain of the maturing operating property loans.

Interest Rate Hedge Instruments

Effective January 1, 2009, the Company adopted new accounting guidance that 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. In accordance with the new guidance, the Company records its derivative instruments on its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in Accumulated Other Comprehensive Loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2009, such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

As of September 30, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Swaps	4	$ 527,500
Interest Rate Cap	1	$ 80,000

The Company has an $80,000 interest rate cap agreement to hedge the risk of changes in cash flows on certain letter of credit-enhanced municipal bonds equal to the then-outstanding cap notional. The interest rate cap protects the Company from increases in the hedged cash flows attributable to overall changes in the USD-SIFMA Municipal Swap Index above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 4.00%. The interest rate cap had a nominal fair value as of September 30, 2009 and December 31, 2008 and matures on December 3, 2010.

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The Company has a $40,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of its operating properties 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 5.175%. The fair value of the swap was $(754) and $(772) as of September 30, 2009 and December 31, 2008, respectively, and matures on November 7, 2010.

The Company has an $87,500 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of its operating properties 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 5.85%. The fair value of the swap was $(2,867) and $(3,787) as of September 30, 2009 and December 31, 2008, respectively, and matures on September 23, 2010.

The Company has a $150,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on its largest secured line of credit 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 4.353%. The fair value of the swap was $(1,268) and $(3,989) as of September 30, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

The Company has a $250,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on its largest secured line of credit 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 4.505%. The fair value of the swap was $(2,212) and $(7,022) as of September 30, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

The above interest rate swaps' total fair value of $(7,101) and $(15,570) as of September 30, 2009 and December 31, 2008, respectively, is included in Accounts Payable and Accrued Liabilities in the accompanying condensed consolidated balance sheets.

In January 2009, the Company entered into a $129,000 interest rate cap agreement to hedge the risk of changes in cash flows on the construction loan of one of its properties equal to the then-outstanding cap notional. The interest rate cap protects the Company from increases in the hedged cash flows attributable to overall changes in 1-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 3.25%. The Company did not designate this cap as a hedge because it did not meet the hedge accounting requirements of SFAS No. 133. Changes in the fair value of this cap are recorded directly in earnings and totaled $6 and $78 for the three and nine month periods ended September 30, 2009, respectively. The interest rate cap had a nominal fair value as of September 30, 2009 and matures on July 12, 2010.

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. In conjunction with their classification as held-for-sale, the results of operations from the properties were reclassified to discontinued operations.

In April 2008, the Company completed the sale of five of the community centers located in Greensboro, NC to three separate buyers. In June 2008, the Company completed the sale of one of the office properties. The Company completed the sale of an additional community center located in Greensboro, NC in August 2008. In December 2008, we completed the sale of an additional office property and adjacent, vacant development land located in Greensboro, NC. The results of operations of these properties are included in discontinued operations for the three and nine month periods ended September 30, 2008.

As of December 31, 2008, the Company determined that the properties that had not been sold during the year no longer met the held-for-sale criteria due to the improbability of additional sales related to the depressed real estate market. The results of operations from these remaining properties have been reclassified to continuing operations for all periods presented.

During June 2008, the Company sold Chicopee Marketplace III in Chicopee, MA. The results of operations of this property are included in discontinued operations for the three and nine month periods ended September 30, 2008.

Total revenues of the centers described above that are included in discontinued operations were $560 and $3,996 during the three and nine month periods ended September 30, 2008. Discontinued operations during the three and nine month periods ended September 30, 2009 and 2008 also include true-ups of estimated expenses to actual amounts for properties sold during previous years.

Note 7 – 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 September 30, 2009	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$237,577	$9,904	$4,579	$10,708	$262,768
Property operating expenses (1)	(82,543)	(2,600)	(1,488)	7,221	(79,410)
Interest expense	(61,364)	(2,073)	(977)	(6,706)	(71,120)
Other expense	2	-	-	(7,716)	(7,714)
Gain (loss) on sales of real estate assets	1,525	-	(2)	12	1,535
Segment profit	$95,197	$5,231	$2,112	$3,519	106,059
Depreciation and amortization expense					(71,261)
General and administrative expense					(8,808)
Interest and other income					1,246
Impairment of investments					(1,143)
Equity in earnings of unconsolidated affiliates					271
Income tax benefit					1,358
Income from continuing operations					$27,722
Capital expenditures (3)	$23,448	$916	$20,432	$51,301	$96,097

Three Months Ended September 30, 2008	Total

	Malls	Associated Centers	Community Centers	All Other (2)	
Revenues	$249,882	$10,858	$4,759	$19,906	$285,405
Property operating expenses (1)	(89,393)	(2,671)	(1,473)	5,951	(87,586)
Interest expense	(63,194)	(2,278)	(1,044)	(10,541)	(77,057)
Other expense	-	-	-	(5,150)	(5,150)
Gain (loss) on sales of real estate assets	3,269	(2)	708	802	4,777
Segment profit	$100,564	$5,907	$2,950	$10,968	120,389
Depreciation and amortization expense					(81,962)
General and administrative expense					(9,623)
Interest and other income					2,225
Impairment of investments					(5,778)
Equity in earnings of unconsolidated affiliates					515
Income tax provision					(8,562)
Income from continuing operations					$17,204
Capital expenditures (3)	$41,623	$5,824	$475	$44,897	$92,819

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Nine Months Ended September 30, 2009	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$722,609	$30,662	$13,636	$33,445	$800,352
Property operating expenses (1)	(246,893)	(8,113)	(4,560)	18,771	(240,795)
Interest expense	(183,924)	(6,413)	(2,997)	(22,513)	(215,847)
Other expense	-	-	-	(18,785)	(18,785)
Gain (loss) on sales of real estate assets	1,524	-	96	(152)	1,468
Segment profit	$293,316	$16,136	$6,175	$10,766	326,393
Depreciation and amortization expense					(225,365)
General and administrative expense					(31,180)
Interest and other income					4,189
Impairment of investments					(8,849)
Equity in earnings of unconsolidated affiliates					1,867
Income tax benefit					603
Income from continuing operations					$67,658
Total assets	$6,878,826	$334,259	$70,127	$650,472	$7,933,684
Capital expenditures (3)	$94,524	$9,763	$21,816	$115,663	$241,766

Nine Months Ended September 30, 2008	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	$749,683	$32,583	$15,303	$41,251	$838,820
Property operating expenses (1)	(268,047)	(8,161)	(4,584)	19,824	(260,968)
Interest expense	(189,031)	(6,885)	(3,219)	(34,601)	(233,736)
Other expense	-	-	-	(18,690)	(18,690)
Gain on sales of real estate assets	8,620	27	1,121	2,354	12,122
Segment profit	$301,225	$17,564	$8,621	$10,138	337,548
Depreciation and amortization expense					(230,106)
General and administrative expense					(33,268)
Interest and other income					7,134
Impairment of investments					(5,778)
Equity in earnings of unconsolidated affiliates					1,308
Income tax provision					(12,757)
Income from continuing operations					$64,081
Total assets	$7,015,922	$344,392	$74,188	$644,412	$8,078,914
Capital expenditures (3)	$152,971	$7,736	$23,219	$198,265	$382,191

(1) Property operating expenses include property operating expenses, real estate taxes and maintenance and repairs.
(2) The All Other category includes mortgage and other notes receivable, office buildings, the Management Company and the Company’s controlling investment interest in an entity that provides security and maintenance services.
(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 – Earnings Per Share

In June 2009, the Company completed an equity offering of 66,630,000 shares of its $0.01 par value common stock at $6.00 per share. The net proceeds, after underwriting costs and related expenses, of approximately $381,602 were used to repay outstanding borrowings under the Company’s credit facilities.

In February 2009, the Company's Board of Directors declared a quarterly dividend for the Company's common stock of $0.37 per share for the quarter ended March 31, 2009, to be paid in a combination of cash and shares of the Company's common stock. The dividend was paid on 66,407,096 shares of common stock outstanding on the record date. The Company issued 4,754,355 shares of its common stock in connection with the dividend, which resulted in an increase of 7.2% in the number of shares outstanding. The Company elected to treat the issuance of its common stock as a stock dividend for per share purposes. Therefore, all share and per share information related to earnings per share for all periods presented prior to March 31, 2009 have been adjusted proportionately to reflect the additional common stock issued.

Effective January 1, 2009, the Company adopted new accounting guidance on determining whether instruments granted in share-based payment transactions are participating securities. The new guidance requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or their equivalent be treated as participating securities for purposes of inclusion in the computation of earnings per share ("EPS") pursuant to the two-class method. Pursuant to the provisions of the new accounting guidance, all prior-period EPS data presented has been adjusted accordingly. The adoption did not have a material impact on the Company's reported earnings per share. The net income attributable to participating, nonvested stock awards is immaterial.

Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of 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 noncontrolling interests 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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Weighted average shares outstanding	137,699	66,047	95,546	65,948
Effect of participating, nonvested stock awards	161	282	200	349
Effect of stock dividend	-	4,749	1,811	4,747
Denominator – basic earnings per share	137,860	71,078	97,557	71,044
Dilutive effect of:				
Stock options	-	98	-	150
Deemed shares related to deferred compensation arrangements	39	39	36	33
Denominator – diluted earnings per share	137,899	71,215	97,593	71,227

Note 9 – Comprehensive Income

The computation of comprehensive income for the three and nine months ended September 30, 2009 and 2008 is as follows:

	Total for the Three Months Ended September 30,		Total for the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	$27,844	$18,006	$67,228	$69,331
Net unrealized gain (loss) on hedging agreements	3,312	135	8,435	(2,963)
Net unrealized gain (loss) on available-for-sale securities	1,144	(1,103)	1,280	(5,754)
Impairment of marketable securities	-	5,778	-	5,778
Net unrealized gain (loss) on foreign currency translation adjustment	2,129	(4,473)	6,308	(2,896)
Realized loss on foreign currency translation adjustment	(277)	-	(202)	-
Total other comprehensive income (loss)	6,308	337	15,821	(5,835)
Comprehensive income	$34,152	$18,343	$83,049	$63,496

Note 10 – 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 consolidates its investment in a joint venture, CW Joint Venture, LLC ("CWJV"), with Westfield. The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0% (increasing to 6.0% beginning July 1, 2013) on the $416,113 of preferred liquidation value of the PJV units of CWJV that are held by Westfield. Subsequent to October 16, 2008, Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such qualifying property, then the annual preferred distribution rate on the PJV units increases to 9.0%. The Company will have the right, but not the obligation, to offer to redeem the PJV units after January 31, 2013 at their preferred liquidation value, plus accrued and unpaid distributions. If the Company fails to make such offer, the annual preferred distribution rate on the PJV units increases to 9.0%. If, upon redemption of the PJV units, the fair value of the Company's common stock is greater than $32.00 per share, then such excess (but in no case greater than $26,000 in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. The Company accounts for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, the Company will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

The Company has guaranteed 100% of the construction and land loans of West Melbourne I, LLC ("West Melbourne"), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is $55,027. West Melbourne recently completed the development of Hammock Landing, an open-air shopping center in West Melbourne, FL. The total amount outstanding at September 30, 2009 on the loans was $46,997. The guaranties will terminate upon repayment of the debt. The construction loan matures in August 2010, and has three one-year extension options, which are at the Company's election, for an outside maturity date of August 2013. The land loan matures in August 2010, and has one one-year extension option, which is at the Company's election, for an outside maturity date August 2011. The Company has recorded an obligation of $670 in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

The Company has guaranteed 100% of the construction and land loans of Port Orange I, LLC ("Port Orange"), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is $120,300. Port Orange is currently developing The Pavilion at Port Orange, an open-air shopping center in Port Orange, FL. The total amount outstanding at September 30, 2009 on the loans was $71,425. The guaranties will terminate upon repayment of the debt. The construction loan matures in June 2011, and has two one-year extension options, which are at the Company's election, for an outside maturity date of June 2013. The land loan matures in June 2011, and has one one-year extension option, which is at the Company's election, for an outside maturity date of June 2012. The Company has recorded an obligation of $1,120 in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

The Company has guaranteed the lease 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 owns 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. 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 guaranty terminates on December 31, 2020. The maximum guaranteed obligation was $19,600 as of September 30, 2009. 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 September 30, 2009 on the loans was $64,332 of which the Company has guaranteed $17,370. The Company has recorded an obligation of $315 in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of the guaranty.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. At September 30, 2009, the total amount outstanding on these bonds was $35,334.

Note 11 – Share-Based Compensation

The share-based compensation cost that was charged against income was $488 and $1,301 for the three months ended September 30, 2009 and 2008, respectively, and $2,363 and $4,028 for the nine months ended September 30, 2009 and 2008, respectively. Share-based compensation cost capitalized as part of real estate assets was $60 and $174 for the three months ended September 30, 2009 and 2008, respectively, and $192 and $696 for the nine months ended September 30, 2009 and 2008, respectively.

Stock Options

Stock options issued under the Company's Stock Incentive Plan allow for the purchase of common stock at the fair market value of the stock on the date of grant. Stock options granted to officers and employees vest and become exercisable in equal installments on each of the first five anniversaries of the date of grant and expire 10 years after the date of grant. Stock options granted to independent directors are fully vested upon grant. No stock options have been granted since 2002.

The Company’s stock option activity for the nine months ended September 30, 2009 is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2009	608,015	$15.89
Expired	(32,881)	12.75
Outstanding at September 30, 2009	575,134	16.07
Vested at September 30, 2009	575,134	16.07
Exercisable at September 30, 2009	575,134	16.07

Stock Awards

Under the Stock Incentive Plan, common stock may be awarded either alone, in addition to, or in tandem with other stock awards granted under the plan. The Committee has the authority to determine eligible persons to whom common stock will be awarded, the number of shares to be awarded and the duration of the vesting period, as defined. Generally, an award of common stock vests either immediately at grant, in equal installments over a period of five years or in one installment at the end of periods up to five years. Stock awarded to independent directors is fully vested upon grant; however, the independent directors may not transfer such shares during their board term or for one year thereafter. The Committee may also provide for the issuance of common stock under the Stock Incentive Plan on a deferred basis pursuant to deferred compensation arrangements. The fair value of common stock awarded under the Stock Incentive Plan is determined based on the market price of the Company’s common stock on the grant date and the related compensation expense is recognized over the vesting period on a straight-line basis.

A summary of the status of the Company’s stock awards as of September 30, 2009, and changes during the nine months ended September 30, 2009, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2009	257,840	$34
Granted	94,621	4.76
Vested	(189,151)	20.97
Forfeited	(2,160)	32.99
Nonvested at September 30, 2009	161,150	33.16

As of September 30, 2009, there was $3,597 of total unrecognized compensation cost related to the nonvested stock awards granted under the Stock Incentive Plan, which is expected to be recognized over a weighted average period of 2.06 years.

Note 12 – Noncash Investing and Financing Activities

The Company's noncash investing and financing activities were as follows for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30,	
Accrued dividends and distributions	$19,685	$64,389
Additions to real estate assets accrued but not yet paid	13,304	29,365
Issuance of common stock for dividend	14,739	-
Issuance of noncontrolling interests in Operating Partnership for distribution	4,140	-
Notes receivable from sale of interest in Tenco-CBL	1,750	-
Additions to real estate assets from forgiveness of mortgage note receivable	6,502	-
Reclassification of developments in progress to mortgage and other notes receivable	-	15,439
Note receivable received for real estate assets	-	3,533

Note 13 – Income Taxes

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

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State tax expense was $1,526 and $1,525 during the three months ended September 30, 2009 and 2008, respectively, and $5,151 and $4,699 during the nine months ended September 30, 2009 and 2008, respectively.

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

The Company recorded an income tax benefit of $1,358 for the three months ended September 30, 2009. The income tax benefit consisted of a current and deferred tax benefit of $260 and $1,098, respectively. The Company recorded an income tax provision of $8,562 for the three months ended September 30, 2008. The income tax provision in 2008 consisted of a current and deferred income tax provision of $5,487 and $3,075, respectively.

The Company recorded an income tax benefit of $603 for the nine months ended September 30, 2009. The income tax benefit consisted of a current income tax provision of $815 and a deferred tax benefit of $1,418. The Company recorded an income tax provision of $12,757 for the nine months ended September 30, 2008. The income tax provision consisted of a current and deferred income tax provision of $9,223 and $3,534, respectively.

The Company had a net deferred tax asset of $2,850 at September 30, 2009 and $2,464 at December 31, 2008. The net deferred tax asset at September 30, 2009 and December 31, 2008 consisted primarily 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 consolidated 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 and nine months ended September 30, 2009 and 2008, respectively.

Note 14 – Subsequent Events

On November 7, 2009, the Company reconvened its special meeting of stockholders, previously convened on September 21, 2009, during which stockholder approval was obtained to amend the Certificate of Incorporation to reflect an increase in the number of authorized shares of common stock from 180,000,000 shares to 350,000,000 shares. See Note 4 for further information.

On October 16, 2009, the Company entered into an agreement to sell its 60.0% interest in Plaza Macaé in Macaé, Brazil to a third party for a gross sales price of $24,200, less brokerage commissions and other closing costs for a net sales price of $23,836. See Note 4 for further information.

On November 2, 2009, the Company closed on the extension and modification of its $560,000 new secured credit facility, of which Wells Fargo Bank NA serves as administrative agent for the lender group. See Note 5 for further information.

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 condensed consolidated financial statements and accompanying notes that are included in this Form 10-Q. Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations have the same meanings as defined in the notes to the condensed consolidated financial statements. In this discussion, the terms "we", "us", "our", and the "Company" refer to CBL & Associates Properties, Inc. and its subsidiaries.

Certain statements made in this section or elsewhere in this report may be deemed "forward looking statements" within the meaning of the federal securities laws. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. In addition to the risk factors 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 shopping malls, open-air centers, community centers and office properties. Our properties are located in 27 states (primarily in the southeastern and midwestern United States) and in Brazil. We have elected to be taxed as a REIT for federal income tax purposes.

As of September 30, 2009, we owned controlling interests in 75 regional malls/open-air centers, 30 associated centers (each adjacent to a regional shopping mall), nine community centers, one mixed-use center and 13 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 September 30, 2009, we owned noncontrolling interests in nine regional malls/open-air centers, three associated centers, five 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. We had three community centers (two of which are owned in joint ventures) under construction at September 30, 2009.

Given the challenging capital markets and economy in general over the past year, we have placed greater emphasis on the need to preserve liquidity and maintain our earnings. We have made significant progress in addressing our loan maturities for the remainder of 2009 and for 2010. In September 2009, we closed on the extension and modification of our largest secured line of credit, maintaining its full capacity of $525.0 million. In addition, subsequent to September 30, 2009, we closed on the extension and modification of our largest unsecured line of credit, also maintaining its full capacity of $560.0 million. As part of the modification of the unsecured line of credit, the facility will be converted over an 18-month period to a new secured facility (the “$560.0 million new secured facility”). During 2009, we also closed on two 10-year, non-recourse loans totaling $91.4 million. In June 2009, we completed an equity offering of 66,630,000 shares of our common stock at $6.00 per share. The net proceeds, after underwriting costs and related expenses, of approximately $381.6 million were used to repay outstanding borrowings under our credit facilities. Closing on the extension and modification of our two largest lines of credit and the two non-recourse property loans combined with the net proceeds from the equity offering will allow us to execute a plan that addresses the majority of our debt maturities through 2011. Please see Liquidity and Capital Resources on page 42 for further information related to our financing activity.

During the second quarter, our Board of Directors determined to reduce the dividend for the remainder of 2009 to the minimum level required to distribute 100% of our estimated taxable income. We paid a second quarter cash dividend of $0.11 per share on July 15, 2009. On September 1, 2009, we announced a third quarter dividend of $0.05 per share to be paid in cash on October 15, 2009. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration. This policy, combined with the previous reduction in our fourth quarter 2008 dividend and paying a portion of our first quarter 2009 dividend in common stock and common units, is expected to generate cash savings of approximately $160.0 million.

Our operating results for the third quarter of 2009 continue to reflect the significant progress that we have made through our cost reduction initiatives that were implemented last year at the properties and our corporate office. We reported reductions in our general property operating expenses of 9.3% and 7.7% compared to the prior year three and nine months periods, respectively, in addition to reductions in our general and administrative expenses of 8.5% and 6.3% compared to the prior year three and nine months periods, respectively, both helping to mitigate the anticipated pressure on rental revenues. Funds from operations (“FFO”) for the current quarter and year-to-date period was negatively impacted by decreased revenues from rents, including lease termination fees, and gains on outparcel sales. FFO was also impacted by non-cash impairment charges related to our investment in Jinsheng, a Chinese real estate company, and the proposed sale of our 60.0% interest in Plaza Macaé, located in Macaé, Brazil. These declines were partially offset by decreased operating, interest and income tax expenses. FFO for the prior year-to-date period included $8.0 million of one-time fee income collected from an affiliate of Centro Properties Group (“Centro”), partially offset by a $5.8 million write-down of marketable securities. FFO is a key performance measure for real estate companies. Please see the more detailed discussion of this measure on page 56.

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During the quarter we experienced limited bankruptcy activity with our current year-to-date lost annual gross rent from store closures running less than one percent of annual revenues. While it is difficult to predict the level of bankruptcy activity we will experience going forward, we have been encouraged by the number of retailers reporting improving margins.

We were pleased to see relative consistency in our quarterly results with a sequential increase in occupancy. We have expected that the second half of the year will be more difficult due to the cumulative effect of negative leasing spreads and year-over-year occupancy declines. Although we are experiencing encouraging sales momentum, until a sustained positive sales trend emerges, we believe that there will continue to be pressure on rents. We anticipate some of that pressure will be mitigated going forward as retailers begin to take occupancy in our re-leased junior spaces and small shops. In addition, we expect that we will receive positive contributions to our results from our recently opened developments. While there is no question that the operating environment is difficult, our portfolio is demonstrating the benefits of our market-dominant strategy notwithstanding these challenges.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended September 30, 2009 to the Three Months Ended September 30, 2008

We have acquired or opened four community centers, one mixed-use center and one office building since January 1, 2008 (collectively referred to as the “New Properties”). These transactions impact the comparison of the results of operations for the three and nine months ended September 30, 2009 to the results of operations for the comparable periods ended September 30, 2008. Properties that were in operation as of January 1, 2008 and September 30, 2009 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. The New Properties are as follows:

Property	Location	Date Acquired/ Opened
Acquisition:		
Renaissance Center (1)	Durham, NC	Feb-08
New Developments:		
CBL Center II	Chattanooga, TN	Jan-08
Pearland Town Center	Pearland, TX	Jul-08
Plaza Macaé (2)	Macaé, Brazil	Sep-08
Statesboro Crossing	Statesboro, GA	Oct-08
Summit Fair (3)	Lee's Summit, MO	Aug-09

(1) This property represents a 50/50 joint venture that is accounted for using the equity method of accounting and is included in equity in earnings of unconsolidated affiliates in the accompanying condensed consolidated statements of operations.
(2) This property represents a 60/40 joint venture that is accounted for using the equity method of accounting and is included in equity in earnings of unconsolidated affiliates in the accompanying condensed consolidated statements

of operations.

(3) CBL's interest represents cost of the land underlying the project for which it will receive ground rent and a percentage of the net operating cash flows.

Revenues

The $14.4 million decrease in rental revenues and tenant reimbursements was attributable to a decrease of $16.5 million from the Comparable Properties, partially offset by an increase of $2.1 million from the New Properties. The decrease in revenues of the Comparable Properties was driven by reductions of $8.3 million in base rents, $6.6 million in tenant reimbursements and $2.4 million in lease termination fees. Base rents declined due to decreased occupancy in the current quarter compared to the prior year period, as well as continued pressure on new and renewal leases. Tenant reimbursements decreased primarily due to lower occupancy levels. Lease termination fees have declined due to the decrease in store closure activity over the prior year quarter. Our cost recovery ratio improved to 99.0% for the quarter ended September 30, 2009 from 96.7% for the prior-year period as a result of lower property operating expenses, including lower bad debt expense.

The decrease in management, development and leasing fees of $10.2 million was mainly attributable to lower management and development fee income. Management fee income for the prior year period included a one-time fee of $8.0 million received from Centro related to a joint venture in 2005 with Galileo America, Inc. (“Galileo”). Development fee income declined due to the completion prior to the current year quarter of certain joint venture developments that were under construction during the prior year quarter.

Other revenues increased $1.9 million compared to the prior year period due to higher revenues 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, decreased $8.2 million due to a decrease of $9.5 million related to the Comparable Properties, partially offset by an increase of $1.3 million of expenses attributable to the New Properties. The decrease in property operating expenses of the Comparable Properties is primarily attributable to reductions of $2.8 million in payroll and related expenses, $1.8 million in promotion costs, $2.5 million in contracted maintenance services, $1.2 million in utilities expenses and $1.0 million of bad debt expense. Payroll expenses have declined due to our cost containment initiatives that were implemented during the latter half of the prior year which included staff reductions from the centralization of certain administrative and operating functions and eliminations of certain pay increases and reductions of bonuses. Bad debt expense decreased as a result of less store closure and bankruptcy activity compared to the prior year quarter.

The decrease in depreciation and amortization expense of $10.7 million resulted from a decrease of $11.7 million from the Comparable Properties, partially offset by an increase of $1.0 million from the New Properties. The decrease attributable to the Comparable Properties is due to a decline in amortization of tenant allowances compared to the prior year quarter. This decrease was partially offset by increased depreciation expense related to capital expenditures for tenant allowances and deferred maintenance since the prior-year period. Amortization of tenant allowances attributable to the Comparable Properties in the prior year quarter included approximately $10.5 million of write-offs of certain tenant allowances and intangible lease assets related to early lease terminations.

General and administrative expenses decreased $0.8 million primarily as a result of declines of $2.4 million in payroll and related expenses and $0.6 million in travel and convention expenses, partially offset by a reduction in capitalized overhead of $1.9 million. As a percentage of revenues, general and administrative expenses were 3.4% for the third quarters of 2009 and 2008.

Other expenses increased $2.6 million over the prior year quarter primarily due to an increase in abandoned projects expense of $1.2 million and increased expenses of $1.4 million related to our subsidiary that provides security and maintenance services to third parties.

Other Income and Expenses
Interest expense decreased $5.9 million primarily due to the decrease in variable interest rates as compared to the third quarter of 2008. Our weighted average interest rate on variable-rate debt as of September 30, 2009 was 1.91% compared to 4.32% at September 30, 2008.

During the three months ended September 30, 2009, we recorded a non-cash impairment charge of $1.1 million related to the pending sale of our interest in Plaza Macaé in Macaé, Brazil to reflect the fair value of the investment. During the three months ended September 30, 2008, we recorded a $5.8 million non-cash write-down related to certain investments in marketable securities. The impairment resulted from a significant and sustained decline in the market value of the securities.

During the third quarter of 2009, we recognized a $1.5 million gain on sales of real estate assets compared to a gain of $4.8 million in the third quarter of 2008. The 2009 gain related to the sale of two parcels of land during the quarter. The 2008 gain related to the sale of four parcels of land during the quarter.

Equity in earnings of unconsolidated affiliates decreased by $0.2 million during the third quarter of 2009 compared to the prior year quarter, primarily due to a decrease in gains on sales of outparcels.

The income tax benefit of $1.4 million for the three months ended September 30, 2009 relates to our taxable REIT subsidiary and consists of a current and deferred tax benefit of $0.3 and $1.1 million, respectively. During the three months ended September 30, 2008, we recorded an income tax provision of $8.6 million, consisting of a provision for current and deferred income taxes of $5.5 million and $3.1 million, respectively. The higher income tax provision for the third quarter of 2008 resulted from the recognition of the aforementioned $8.0 million fee income in addition to a significantly larger amount of gains in the prior year period related to sales of outparcels and from discontinued operations attributable to the taxable REIT subsidiary.

We recognized income from discontinued operations of $0.2 million during the third quarter of 2009, compared to total income and gain of $0.9 million during the third quarter of 2008. Discontinued operations for the three months ended September 30, 2008 reflect the operating results of seven community centers and two office properties that were sold during 2008. One of these community centers was sold during the third quarter of 2008. Discontinued operations for the three months ended September 30, 2009 and 2008 include true-ups of estimated expenses to actual amounts for properties sold during previous years.

Comparison of the Nine Months Ended September 30, 2009 to the Nine Months Ended September 30, 2008

Revenues

The $28.6 million decrease in rental revenues and tenant reimbursements was attributable to a decrease of $38.6 million from the Comparable Properties, partially offset by an increase of $10.0 million from the New Properties. The decline in revenues of the Comparable Properties was primarily driven by decreases in base rents of $21.4 million, tenant reimbursements of $11.7 million and lease termination fees of $4.2 million. Base rents declined due to decreased occupancy in the current year period compared to the prior year period. Tenant reimbursements decreased primarily due to lower occupancy levels.

Our cost recovery ratio improved to 100.4% for the nine months ended September 30, 2009 from 96.2% for the prior-year period. While tenant reimbursements have declined from prior year levels due to lower occupancy, the cost recovery ratio year-to-date has been positively impacted by operating expense reductions, including lower bad debt expense.

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The decrease in management, development and leasing fees of $11.5 million was primarily attributable to lower management and development fee income. Management fee income for the prior year period included a one-time fee of $8.0 million received from Centro related to a joint venture in 2005 with Galileo. Development fee income has decreased due to the completion in the prior year or early part of the current year of certain joint venture developments that were under construction during the prior year period.

Other revenues increased $1.7 million compared to the prior year period due to higher revenues 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, decreased $20.2 million due to a decrease of $26.0 million related to the Comparable Properties, partially offset by an increase of $5.8 million of expenses attributable to the New Properties. The decrease in property operating expenses of the Comparable Properties is primarily attributable to reductions of $9.6 million in payroll and related expenses, $5.6 million in contracted maintenance services, $5.3 million in promotion costs, $1.3 million of bad debt expense, $0.8 million of utilities expense and $0.6 million in snow removal costs. Payroll expenses have declined due to our cost containment initiatives that were implemented during the latter half of the prior year which included staff reductions from centralization of certain administrative and operating functions and eliminations of certain pay increases and reductions of bonuses. Bad debt expense decreased as a result of less store closure and bankruptcy activity compared to the prior year period.

The decrease in depreciation and amortization expense of $4.7 million resulted from decreases of $9.4 million from the Comparable Properties, partially offset by increases of $4.7 million from the New Properties. The decrease attributable to the Comparable Properties is due to a decline in amortization of tenant allowances compared to the prior year period. This decrease was partially offset by increased depreciation expense related to capital expenditures for tenant allowances and deferred maintenance since the prior-year period. Amortization of tenant allowances attributable to the Comparable Properties in the prior year period included approximately $12.0 million of write-offs of certain tenant allowances and intangible lease assets related to early lease terminations.
General and administrative expenses decreased $2.1 million primarily as a result of declines of $8.4 million in payroll and related expenses and $2.0 million in travel and convention expenses, partially offset by a reduction in capitalized overhead of $8.2 million. The prior year period general and administrative expenses included a charge of $1.3 million incurred in relation to the retirement of a senior officer. As a percentage of revenues, general and administrative expenses were 3.9% for the nine months ended September 30, 2009, compared to 4.0% for the prior year period.

Other expenses increased $0.1 million primarily due to an increase in expenses of $1.6 million related to our subsidiary that provides security and maintenance services to third parties, partially offset by a decrease in abandoned projects expense compared to the prior year period.

Other Income and Expenses

Interest expense decreased $17.9 million primarily due to the decrease in variable interest rates and lower overall debt levels as compared to the prior year period. Our weighted average interest rate on variable-rate debt as of September 30, 2009 was 1.91% compared to 4.32% at September 30, 2008.

During the nine months ended September 30, 2009, we incurred non-cash impairment losses totaling $8.8 million. We recorded a charge of $7.7 million on our investment in Jinsheng, an established mall operating and real estate development company located in Nanjing, China, due to a decline in expected future cash flows. The projected decrease was a result of declining occupancy and sales due to

the downturn of the real estate market in China. We also recorded a $1.1 million charge related to the pending sale of our interest in Plaza Macaé in Macaé, Brazil to reflect the fair value of the investment. During the nine months ended September 30, 2008, we recorded a $5.8 million non-cash write-down related to certain investments in marketable securities. The impairment resulted from a significant and sustained decline in the market value of the securities.

During the nine months ended September 30, 2009, we recognized a gain on sales of real estate assets of $1.5 million. A gain of $1.6 million resulted from the sale of two parcels of land, partially offset by a loss of $0.1 million related to the disposition of one of our investments in Brazil. We recorded a gain on sales of real estate assets of $12.1 million in the prior year period related to the sale of 13 parcels of land and one parcel of land for which the gain had previously been deferred.

Equity in earnings of unconsolidated affiliates increased by $0.6 million during the nine months ended September 30, 2009, primarily due to the opening of certain joint venture properties during the current year period that were not in operation during the prior year period.

The income tax benefit of $0.6 million for the nine months ended September 30, 2009 relates to the results of our taxable REIT subsidiary and consists of a deferred tax benefit of $1.4 million, partially offset by a provision for current income taxes of $0.8 million. During the nine months ended September 30, 2008, we recorded an income tax provision of $12.8 million, consisting of a provision for current and deferred income taxes of $9.2 million and $3.6 million, respectively. The higher income tax provision for 2008 resulted from the recognition of the aforementioned $8.0 million fee income in addition to a significant amount of gains related to sales of outparcels and discontinued operations attributable to the taxable REIT subsidiary.

We recognized income on discontinued operations of $0.1 million during the nine months ended September 30, 2009, compared to income of $5.3 million during the prior year period, including a gain of $3.8 million. Discontinued operations for the nine months ended September 30, 2008 reflect the operating results of seven community centers and two office properties that were sold during 2008. Discontinued operations for the nine months ended September 30, 2009 and 2008 include true-ups 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. Alamance Crossing in Burlington, NC, which opened in August 2007, and our mixed-use center, Pearland Town Center, which opened in July 2008, are our only non-stabilized malls as of September 30, 2009.

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

	Nine Months Ended September 30,			
	2009		2008	
Malls	90.3	%	89	%
Associated centers	3.8	%	4	%
Community centers	1.7	%	2	%
Mortgages, office building and other	4.2	%	5	%

Mall store sales for the trailing twelve months ended September 30, 2009 on a comparable per square foot basis were $317 per square foot compared with $339 per square foot in the prior year period, representing a decline of 6.5%. While sales continue to decline, we are pleased that our portfolio demonstrates relative stability in comparison to our peers. Recent trends have been encouraging and we believe that will continue with the second half of 2009 performing better than the first half. However, we anticipate that the holiday sales season will reflect the significantly reduced inventory levels and heavy discounting that we are still seeing from retailers. We believe it will be challenging for volume to increase to a level that would be comparable to our prior year sales.

Occupancy

Our portfolio occupancy is summarized in the following table:

	At June 30,		At September 30,			
	2009		2009		2008	
Total portfolio occupancy	88.0	%	89.2	%	92.2	%
Total mall portfolio	88.7	%	89.9	%	91.8	%
Stabilized malls	89.1	%	90.3	%	92.1	%
Non-stabilized malls	72.2	%	74.0	%	87.2	%
Associated centers	88.7	%	90.0	%	95.1	%
Community centers	78.5	%	80.4	%	92.1	%

We continue to see the benefits of our dominant mall strategy come through in our portfolio occupancy. Stabilized mall occupancy and total portfolio occupancy were both up 120 basis points sequentially to 90.3% and 89.2%, respectively, as of September 30, 2009. Our properties still provide one of our peer group's lowest occupancy costs, which is attractive to retailers looking to renew profitable stores and for opportunistic expansion.

Occupancy levels as of September 30, 2009 as compared to those at September 30, 2008 were primarily impacted by the closure of junior boxes in the associated center and community center portfolio that occurred subsequent to September 30, 2008. Of the roughly 50 junior anchor and box locations that vacated as a result of the 2008 bankruptcies and store closures, we have 28 executed leases or letters of intent totaling nearly 800,000 square feet or approximately 35% of the vacated space. The new leases represent 25 retailers from a very broad range of users. For the stabilized mall portfolio, we continue to anticipate year-end occupancy to come in roughly 200 basis points lower than the prior year.

The following table summarizes certain information related to seven national retailers in our portfolio who announced during 2009 that they had filed for bankruptcy protection.

($ in millions)	Locations	Square Feet	Annual Gross Rents
Eddie Bauer	17	124,000	$4.9
Garfields	10	53,000	1.7
Ritz Camera	27	48,000	1.6
S&K Menswear	16	60,000	1.2
Strasburg Children	7	11,000	0.3
Finlay Enterprises	7	13,000	0.9
JDH Enterprises	8	28,000	0.5

While it is difficult to predict the level of bankruptcy we will experience going forward, we have been encouraged by the number of retailers reporting improving margins. During the quarter we experienced limited new bankruptcy activity with two filings from Finlay Enterprises, which operates Carlyle and Bailey Banks & Biddle Jewelers, and JDH Enterprises, which operates Lim's and Basix. For the nine months ended September 30, 2009, our lost annual gross rents from store closures to-date is running less than one percent of annual revenues.

Leasing

During the third quarter of 2009 we signed a total of approximately 1.3 million square feet of leases including approximately 0.1 million square feet of development leases and approximately 1.2 million square feet of leases in our operating portfolio. The 1.2 million square feet in our operating portfolio was comprised of approximately 0.5 million square feet of new leases and approximately 0.7 million square feet of renewal leases. This compares with a total of approximately 1.9 million square feet of leases signed in the third quarter of 2008, including approximately 0.5 million square feet of development leases and approximately 1.4 million square feet of leases in our operating portfolio. The 1.4 million square feet in the operating portfolio was comprised of approximately 0.3 million square feet of new leases and approximately 1.1 million square feet of renewal leases.

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

	At September 30, 2009	At September 30, 2008
Stabilized malls	$29.04	$29.00
Non-stabilized malls	26.04	25.10
Associated centers	11.74	11.67
Community centers	14.83	14.91
Office	19.11	17.53

Results from new and renewal leasing of comparable small shop space during the three and nine months ended September 30, 2009 for spaces that were previously occupied are as follows:

	Square Feet	Prior Gross Rent PSF	New Initial Gross Rent PSF	% Change Initial	New Average Gross Rent PSF (2)	% Change Average
Quarter:						
All Property Types (1)	558,877	$36.75	$30.99	-15.7 %	$32.06	-12.8 %
Stabilized malls	479,891	39.32	33.00	-16.1 %	34.19	-13.0 %
New leases	187,933	45.93	37.35	-18.7 %	39.51	-14.0 %
Renewal leases	291,958	35.07	30.20	-13.9 %	30.77	-12.3 %
Year to Date:						
All Property Types (1)	1,671,754	38.51	33.56	-12.9 %	34.54	-10.3 %
Stabilized malls	1,483,090	40.71	35.45	-12.9 %	36.50	-10.3 %
New leases	441,562	44.66	38.92	-12.9 %	41.47	-7.1 %
Renewal leases	1,041,528	39.04	33.98	-13.0 %	34.39	-11.9 %

(1) Includes stabilized malls, associated centers, community centers and other.
(2) Average Gross Rent does not incorporate allowable future increases for recoverable common area expenses.

For stabilized mall leasing in the third quarter, on a same space basis, rental rates were signed at an average decrease of 13.0% from the prior gross rent per square foot. We are continuing to experience pressure on rental rates and anticipate that this will continue until we see improvements in sales trends. We are generally signing the tougher deals for a shorter lease term, which affords us the opportunity to regain market rents when sales trends improve. During the third quarter, certain categories, including jewelry and shoe stores and sit-down restaurants, disproportionately pulled down rent spreads. Together the negative rent spreads in these categories accounted for approximately 420 basis points of the decline in average rent spreads for stabilized malls. While these gross rent levels were lower than we would have liked, we are building in upside potential in the leases through higher percentage rent components and lower sales breakpoints.

LIQUIDITY AND CAPITAL RESOURCES

In September 2009, we extended and modified our $525.0 million secured credit facility, of which Wells Fargo Bank NA serves as administrative agent for the lender group. The facility's maturity date was extended from February 2010 to February 2012, with an option to extend the maturity date for one additional year to February 2013 (subject to continued compliance with the terms of the facility). The interest rate on the facility was modified to bear interest at an annual rate equal to the one-month, three-month, or six-month London Interbank Offered Rate ("LIBOR") (at our option) plus 325 to 425 basis points, with LIBOR subject to a minimum of 1.50% for periods commencing on or after December 31, 2009. We paid aggregate fees of approximately $7.5 million, reflected in intangible lease assets and other assets in our condensed consolidated balance sheet as of September 30, 2009, in connection with the extension and modification of the credit facility and are required to pay an annual fee of 35 basis points, to be paid quarterly, based upon any unused commitment. We will pay a one-time extension fee of 35 basis points should we exercise our option to extend the maturity date to February 2013. There were no significant changes to the facility's debt covenants.

On November 2, 2009, we closed on the extension and modification of our $560.0 million unsecured credit facility, of which Wells Fargo Bank NA serves as administrative agent for the lender group. The facility will be converted over an 18-month period into a new secured facility and the maturity of the facility was extended to August 2011, with an extension option at our election (subject to continued compliance with the terms of the facility), for an outside maturity date of April 2014. The conversion of the unsecured facility to a secured facility will take place as we use availability under the facility to retire several non-recourse, property-specific CMBS mortgages that mature in 2009, 2010 and 2011. We intend to retire these mortgages at the earliest dates on which they may be prepaid at par or their scheduled maturity dates in order to avoid any prepayment fees. The real estate assets securing these mortgages will then be pledged as collateral to secure the facility. Certain assets were pledged as collateral as of the closing.

The interest rate on the $560.0 million new secured facility was modified to bear interest at an annual rate equal to one-month, three-month or six-month LIBOR (at our option) with LIBOR subject to a minimum of 1.50% plus a spread that increases over the facility's term, commencing with a margin of 0.75% to 1.20%, based on our leverage ratio, through August 2010, a margin of 1.45% to 1.90% through August 2011 and increasing thereafter to 3.25% to 4.25% until April 2014. Additionally, we must pay an annual fee of 0.35%, to be paid quarterly, based upon any unused commitment of the credit facility and will pay a one-time fee of 1.067% of the total capacity of the facility should we exercise our option to extend the maturity date to April 2014. There were no significant changes to the facility's debt covenants.

During the second quarter of 2009, we closed two 10-year, non-recourse loans including a $33.6 million loan secured by Honey Creek Mall in Terre Haute, IN and a $57.8 million loan secured by Volusia Mall in Daytona Beach, FL. The loans are with the existing institutional lender and have an interest rate of 8.0%. These loans replaced an existing $30.1 million loan secured by Honey Creek Mall and a $51.2 million loan secured by Volusia Mall. We used the approximately $10.1 million of excess proceeds, plus cash on hand, to pay off the $30.2 million loan secured by Bonita Lakes Mall in Meridian, MS held by the same institutional lender.

Of the remaining $68.1 million of our pro rata share of consolidated and unconsolidated debt that is scheduled to mature during 2009, we have extensions of $15.6 million available at our option that we intend to exercise, leaving one non-recourse loan of $52.5 million that we intend to retire with borrowings from our $560.0 million new secured credit facility. We will pledge the related property as collateral to the $560.0 million facility. Of the $1,141.5 million of our pro rata share of consolidated and unconsolidated debt that is scheduled to mature during 2010, we have extensions of $568.1 million available at our option that we intend to exercise, leaving $573.4 million representing 13 operating property loans and two secured lines of credit. We paid off the two secured facilities on November 2, 2009, upon closing of the extension and modification of the $560.0 million new secured facility and intend to pay off several of the operating property loans with remaining availability, at which time the properties supporting these loans will be pledged as collateral pool to secure the credit facility. The Company also intends to refinance certain of the maturing operating property loans.

In June 2009, we completed a public offering of 66,630,000 shares of our newly-issued common stock for $6.00 per share. We used the net proceeds of $381.6 million to repay outstanding borrowings under our credit facilities.

During the second quarter, our Board of Directors determined to reduce the dividend for the remainder of 2009 to the minimum level required to distribute 100% of our estimated taxable income. We paid a second quarter cash dividend of $0.11 per share on July 15, 2009. On September 1, 2009, we announced a third quarter dividend of $0.05 per share to be paid in cash on October 15, 2009. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration. This policy, combined with the previous reduction in our fourth quarter 2008 dividend and paying a portion of our first quarter 2009 dividend in common stock and common units, is expected to generate cash savings of approximately $160.0 million.

We believe that the combination of the financing activities described above, the completion of the common stock offering, the cash flows generated from our operations, our reduced dividend, our equity and debt sources and the availability under our lines of credit will, for the foreseeable future, provide adequate liquidity to meet our cash needs. In addition to these factors, we have options available to us to generate additional liquidity, including but not limited to, equity offerings, joint venture investments, issuances of noncontrolling interests in our Operating Partnership, decreasing the amount of expenditures we make related to tenant construction allowances and other capital expenditures and implementing further cost containment initiatives. We also generate revenues from sales of peripheral land at the properties and from sales of real estate assets when it is determined that we can realize a maximized value for the assets.

Cash Flows From Operations

There was $63.5 million of unrestricted cash and cash equivalents as of September 30, 2009, an increase of $12.3 million from December 31, 2008. Cash provided by operating activities during the nine months ended September 30, 2009, decreased $16.3 million to $297.8 million from $314.1 million during the nine months ended September 30, 2008. The decrease was primarily attributable to declines in revenues due to lower occupancy, interest and other income and income from discontinued operations, partially offset by lower operating, interest and general and administrative expenses. Included in the prior year amount of cash provided by operating activities was the receipt of a one-time fee of $8.0 million from affiliates of Centro.

Debt

The $560.0 million new secured credit facility and the $525.0 million secured credit facility contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. As of September 30, 2009, we are in compliance with our debt covenants. Our debt to gross asset value at September 30, 2009 was 55%, well under the required maximum of 65%. Our interest coverage ratio was 2.32 compared to the required minimum of 1.75 and our debt service coverage ratio was 1.88 compared to the required minimum of 1.50. We have also performed stress tests on our covenant calculations assuming changes in cap rate assumptions and interest rates that would negatively impact our calculation results. Based on the results of these tests, we believe that we currently have adequate capacity to continue meeting the requirements of our debt covenants.

The agreements to these credit facilities contain default provisions customary for transactions of their nature (with applicable customary grace periods), and also contain cross-default provisions in the event (i) there is a default in the payment of any indebtedness owed by us to any institution which is a part of the lender groups for the credit facilities, or (ii) there is any other type of default with respect to any indebtedness owed by us to any institution which is a part of the lender groups for the credit facilities and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreements provide that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under these credit facilities and those facilities with which this agreement references cross-default provisions may be accelerated and the lenders' commitments may be terminated.

The agreements to our $560.0 million new secured line of credit, our $525.0 million secured line of credit and our unsecured term facilities with balances of $209.5 million and $228.0 million as of September 30, 2009, each with the same lender, and the agreements to our $20.0 million and $17.2 million secured lines of credit contain default provisions customary for transactions of this nature and also contain cross-default provisions.

The weighted average remaining term of our total share of consolidated and unconsolidated debt was 3.9 years at September 30, 2009 and December 31, 2008. The weighted average remaining term of our pro rata share of fixed-rate debt was 4.3 years and 4.6 years at September 30, 2009 and December 31, 2008, respectively.

As of September 30, 2009 and December 31, 2008, our pro rata share of consolidated and unconsolidated variable-rate debt represented 21.6% and 24.6%, respectively, of our total pro rata share of debt. As of September 30, 2009, our share of consolidated and unconsolidated variable-rate debt represented 16.1% of our total market capitalization (see Equity below) as compared to 21.2% as of December 31, 2008.

The following tables summarize debt based on our pro rata ownership share, including our pro rata share of unconsolidated affiliates and excluding noncontrolling 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)
September 30, 2009:					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 3,959,656	$ (23,370)	$ 405,597	$ 4,341,883	6.18 %
Recourse loans on operating properties (2)	161,606	-	-	161,606	5.71 %
Secured line of credit (3)	400,000	-	-	400,000	4.45 %
Total fixed-rate debt	4,521,262	(23,370)	405,597	4,903,489	5.84 %
Variable-rate debt:					
Recourse loans on operating properties	283,138	(928)	46,358	328,568	1.64 %
Construction loans	110,617	-	123,852	234,469	2.79 %
Land loans	-	-	23,501	23,501	2.35 %
Unsecured line of credit	200,000	-	-	200,000	1.17 %
Secured lines of credit	126,050	-	-	126,050	3.81 %
Unsecured term facilities	437,494	-	-	437,494	1.61 %
Total variable-rate debt	1,157,299	(928)	193,711	1,350,082	1.91 %
Total	$ 5,678,561	$ (24,298)	$ 599,308	$ 6,253,571	4.99 %

	Consolidated	Minority Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate (1)
December 31, 2008:					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 4,046,653	$ (23,648)	$ 418,761	$ 4,441,766	5.95 %
Recourse loans on operating properties (2)	161,694	-	-	161,694	5.71 %
Secured line of credit (3)	400,000	-	-	400,000	4.45 %
Total fixed-rate debt	4,608,347	(23,648)	418,761	5,003,460	5.96 %
Variable-rate debt:					
Recourse loans on operating properties	262,946	(928)	46,346	308,364	2.52 %
Construction loans	115,339	-	85,182	200,521	2.19 %
Land loans	-	-	11,940	11,940	3.04 %
Unsecured line of credit	522,500	-	-	522,500	1.92 %
Secured lines of credit	149,050	-	-	149,050	1.45 %
Unsecured term facilities	437,494	-	-	437,494	1.88 %
Total variable-rate debt	1,487,329	(928)	143,468	1,629,869	2.02 %
Total	$ 6,095,676	$ (24,576)	$ 562,229	$ 6,633,329	4.99 %

(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 $127,500 as of September 30, 2009 and December 31, 2008 related to two of our variable-rate loans on operating properties to effectively fix the interest rates on those loans. Therefore, these amounts are currently reflected in fixed-rate debt.

(3) We have interest rate swaps on notional amounts totaling $400,000 as of September 30, 2009 and December 31, 2008 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.

Unsecured Line of Credit

As of September 30, 2009, we had an unsecured line of credit with total capacity of $560.0 million bearing interest at LIBOR plus a margin of 0.75% to 1.20% based on our leverage ratio, as defined in the agreement to the facility. Additionally, we paid an annual fee of 0.1% of the amount of total capacity of the unsecured line of credit. The line of credit was to mature in August 2009 and had two one-year extension options, at our election, for an outside maturity date of August 2011. At September 30, 2009, the outstanding borrowings of $200.0 million under the unsecured line of credit had a weighted average interest rate of 1.17%.

On November 2, 2009, we closed on an extension and modification of our $560.0 million unsecured credit facility. The facility will be converted over an 18-month period into a new secured facility and the maturity of the facility was extended to August 2011, with an extension option at our election (subject to continued compliance with the terms of the facility), for an outside maturity date of April 2014. The conversion of the unsecured facility to a secured facility will take place as we use availability under the facility to retire several non-recourse, property-specific CMBS mortgages that mature in 2009, 2010 and 2011. We intend to retire these mortgages at the earliest dates on which they may be prepaid at par or their scheduled maturity dates in order to avoid any prepayment fees. The real estate assets securing these mortgages will then be pledged as collateral to secure the facility. Certain assets were pledged as collateral as of the closing.

The modification also revised the interest rate on the $560.0 million new secured facility to bear interest at an annual rate equal to one-month, three-month or six-month LIBOR (at our option) with LIBOR subject to a minimum of 1.50% plus a spread that increases over the facility's term, commencing with a margin of 0.75% to 1.20%, based on our leverage ratio, through August 2010, a margin of 1.45% to 1.90% through August 2011 and increasing thereafter to 3.25% to 4.25% until April 2014. Additionally, we must pay an annual fee of 0.35%, to be paid quarterly, based upon any unused commitment of the credit facility and will pay a one-time fee of 1.067% of the total capacity of the facility should we exercise our option to extend the maturity date to April 2014.

Unsecured Term Facilities

We have an unsecured term facility with total capacity of $228.0 million that bears interest at LIBOR plus a margin of 1.50% to 1.80% based on our leverage ratio, as defined in the agreement to the facility. At September 30, 2009, the outstanding borrowings of $228.0 million under the unsecured term facility had a weighted average interest rate of 1.85%. The facility matures in April 2011 and has two one-year extension options, which are at our election, for an outside maturity date of April 2013.

We have an unsecured term facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. At September 30, 2009, the outstanding borrowings of $209.5 million under this facility had a weighted average interest rate of 1.35%. We completed our acquisition of the properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured term 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 term facility must be used to pay down any remaining outstanding balance. The facility matures in November 2010 and has two one-year extension options, which are at our election, for an outside maturity date of November 2012.

Secured Lines of Credit

In September 2009, we extended and modified our $525.0 million secured credit facility, of which Wells Fargo Bank NA serves as administrative agent for the lender group. The facility's maturity date was extended from February 2010 to February 2012, with an option to extend the maturity date for one additional year to February 2013 (subject to continued compliance with the terms of the facility). The interest rate on the facility was modified to bear interest at an annual rate equal to the one-month, three-month, or six-month London Interbank Offered Rate ("LIBOR") (at our option) plus 325 to 425 basis points, with LIBOR subject to a minimum of 1.50% for periods commencing on or after December 31, 2009. We paid aggregate fees of approximately $7.5 million, reflected in intangible lease assets and other assets in our condensed consolidated balance sheet as of September 30, 2009, in connection with the extension and modification of the credit facility and are required to pay an annual fee of 35 basis points, to be paid quarterly, based upon any unused commitment. We will pay a one-time extension fee of 35 basis points should we exercise our option to extend the maturity date to February 2013.

We have four secured lines of credit with total capacity of $667.2 million, of which $526.1 million was outstanding as of September 30, 2009. The secured lines of credit bear interest at LIBOR plus a margin ranging from 0.80% to 0.95%. Borrowings under the secured lines of credit had a weighted average interest rate of 4.14% at September 30, 2009, including the portion with a receive-variable/pay-fixed interest rate swap.

We also have secured and unsecured lines of credit with total capacity of $38.4 million that are used only to issue letters of credit. There was $17.6 million outstanding under these lines at September 30, 2009.

Interest Rate Hedging Instruments

In January 2009, we entered into a $129.0 million interest rate cap agreement to hedge the risk of changes in cash flows on the construction loan of one of our properties equal to the then-outstanding cap notional. The interest rate cap protects us from increases in the hedged cash flows attributable to overall changes in 1-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 3.25%. We did not designate this cap as a hedge for GAAP accounting purposes and, thus, record any unrealized gain or loss on the cap as interest expense in our condensed consolidated statement of operations. The interest rate cap had a nominal fair value as of September 30, 2009 and matures on July 12, 2010.

We have an $80.0 million interest rate cap agreement to hedge the risk of changes in cash flows on certain letter of credit-enhanced municipal bonds equal to the then-outstanding cap notional. The interest rate cap protects us from increases in the hedged cash flows attributable to overall changes in the USD-SIFMA Municipal Swap Index above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 4.00%. The interest rate cap had a nominal fair value as of September 30, 2009 and December 31, 2008 and matures on December 3, 2010.

We have a $40.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of our operating properties 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 of debt principal corresponding to the swap notional amount at 5.175%. The fair value of the swap was ($0.8) million as of September 30, 2009 and December 31, 2008 and matures on November 7, 2010.

We have an $87.5 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on the borrowings of one of our operating properties 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 of debt principal corresponding to the swap notional amount at 5.85%. The fair value of the swap was $(2.9) million and $(3.8) million as of September 30, 2009 and December 31, 2008, respectively, and matures on September 23, 2010.

We have 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 line of credit 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 of debt principal corresponding to the swap notional amount at 4.353%. The fair value of the swap was $(1.3) million and $(4.0) million as of September 30, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

We have 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 line of credit 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 4.505%. The fair value of the swap was $(2.2) million and $(7.0) million as of September 30, 2009 and December 31, 2008, respectively, and matures on December 30, 2009.

Equity

In contemplation of the common stock offering described above, certain holders of units in the Operating Partnership, including certain affiliates of CBL's Predecessor and certain affiliates of Jacobs (collectively, the "Deferring Holders"), entered into a Forbearance and Waiver Agreement, dated June 2, 2009 (the "Forbearance Agreement"), with the Company. The Deferring Holders agreed to defer their right to exchange an aggregate of 37 million of their Operating Partnership units for shares of our common stock or cash (at our election), until the earlier of (A) the close of business on the date upon which we effectively amend our Certificate of Incorporation to increase our authorized share capital to include at least 217 million shares of common stock (the "Replenishment Date") or (B) December 31, 2009. The Deferring Holders also agreed to waive our obligation under the Operating Partnership Agreement to reserve a sufficient number of shares of common stock to satisfy the Operating Partnership exchange rights with respect to such units until the Replenishment Date, regardless of when such date occurs.

If, following the deferral described above, the Deferring Holders were to exercise their exchange rights before we had available a sufficient number of authorized shares of our common stock to deliver in satisfaction of such exchange rights, we would be compelled to satisfy such rights with cash payments to the extent we did not have sufficient shares of common stock available. As a result of entering into the Forbearance Agreement, the portion of the noncontrolling interests in the Operating Partnership attributable to the Deferring Holders' Operating Partnership units that are in excess of the current authorized number of shares of common stock has been reclassified to redeemable noncontrolling interests as of September 30, 2009.

On October 7, 2009, we reconvened our special meeting of stockholders, previously convened on September 21, 2009, during which stockholder approval was obtained to amend the Certificate of Incorporation to reflect an increase in the number of authorized shares of common stock from 180,000,000 shares to 350,000,000 shares. As such, subsequent to September 30, 2009, the Forbearance Agreement of the Deferring Holders expired in accordance with its terms and the units subject to that agreement will be reclassified to noncontrolling interests in the fourth quarter of 2009.

During the nine months ended September 30, 2009, we received $381.6 million in net proceeds from our common stock offering described above and $0.3 million in proceeds from our dividend reinvestment plan. In addition, we paid dividends of $65.9 million to holders of our common stock and our preferred stock, as well as $54.5 million in distributions to the noncontrolling investors in our Operating Partnership and other consolidated subsidiaries.

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 senior and/or subordinated debt securities, shares of preferred stock (or depositary shares representing fractional interests therein), shares of common stock, warrants or rights to purchase any of the foregoing securities, and units consisting of two or more of these classes or series of securities. There is no limit to the offering price or number of securities that we may issue under this shelf registration statement.

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 is higher as of September 30, 2009 due to a decline in the market price of our common stock. Our bank covenants are based on gross asset values and are, therefore, not subject to market fluctuations in our stock price. 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 of equity) ratio was as follows at September 30, 2009 (in thousands, except stock prices):

	Shares Outstanding	Stock Price (1)	Value
Common stock and operating partnership units	189,825	$9.70	$1,841,303
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			2,131,303
Company's share of total debt			6,253,571
Total market capitalization			$8,384,874
Debt-to-total-market capitalization ratio			74.6 %

(1) Stock price for common stock and operating partnership units equals the closing price of the common stock on September 30, 2009. 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 funding 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.

The following tables summarize our development projects as of September 30, 2009 (dollars in thousands):

Properties Opened During the Nine Months Ended September 30, 2009

			CBL's Share of			
Property	Location	Total Project Square Feet	Total Cost	Cost To Date	Date Opened	Initial Yield(a)
Mall Expansions:						
Asheville Mall - Barnes & Noble	Asheville, NC	40,000	$ 11,684	$ 8,037	Spring-09	5.3 %
Oak Park Mall - Barnes & Noble (b)	Kansas City, KS	34,000	9,619	11,493	Spring-09	7.9 %
Redevelopments:						
West County Center - Barnes & Noble and restaurant village	St. Louis, MO	90,620	34,149	26,612	Spring-09	9.9 %
Community/Open-Air Centers:						
Hammock Landing (Phase I and Phase 1A) (c)	West Melbourne, FL	470,042	36,757	37,624	Spring-09/Fall-10	7.9 % *
Summit Fair (d)	Lee's Summit, MO	483,172	22,000	22,000	Summer-09/Summer-10	9.0 %
		1,117,834	$ 114,209	$ 105,766		

Properties Under Development at September 30, 2009
(Dollars in thousands)

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

Community/Open-Air Centers:									
Settlers Ridge (Phase I) (b)	Robinson Township, PA	401,022	$	109,111	$	83,543	Fall-09	6.0	% *
The Pavilion at Port Orange (Phase I and Phase 1A) (c)	Port Orange, FL	483,942		66,870		96,171	Fall-09/ Summer-10	7.8	% *
The Promenade (e)	D'Iberville, MS	651,262		82,568		71,609	Fall-09	7.6	%
		1,536,226	$	258,549	$	251,323			

(a) Pro forma initial yields represented here may be lower than actual initial returns as they are reduced for management and development fees.

(b) Costs to date may be gross of applicable reimbursements.

(c) 50/50 Joint Venture. Costs to date may be gross of applicable reimbursements.

(d) CBL's interest represents cost of the land underlying the project for which they will receive ground rent and a percentage of the operating cash flows.

(e) The Promenade is an 85/15 Joint Venture. Amounts shown are 100% of total costs and cost to date as CBL has funded the majority of all costs to date. Costs to date may be gross of applicable reimbursements.

* Pro Forma initial yields for phased projects reflect full land cost in Phase I. Combined pro forma yields are higher than Phase I project yields.

We have three major development projects currently under construction that are scheduled to open this year. There is no additional capital currently required for these projects as all equity has been funded. Construction loans are in place for the remaining development costs. We have taken measures to limit our initial exposure on these projects by phasing the small shop portions or converting sections of the small shop portions to junior anchor spaces. Beyond the current slate of construction projects, we are not pursuing any additional new developments.

On October 11, 2009, we celebrated the grand opening of The Promenade in D'Iberville, MS, part of the Gulfport/Biloxi trade area. The center opened more than 96% leased or committed for the first phase with Target, Marshall's, ULTA, Dick's Sporting Goods. All of the stores have been trending well above their plan.

We also recently opened the first phase of Settlers Ridge in Pittsburgh, PA more than 94% leased or committed. Cinemark Theater, PF Chang's and REI, as well as a number of specialty stores have opened to a very strong reception from the market. The 150,000-square-foot Giant Eagle Market District opened on November 6, 2009, and later this month LA Fitness will open to the public.

These projects have garnered a very strong response from the retail community and we are pleased to open both with leased and committed rates in the mid-nineties. The positive reception of the projects is indicative of the positioning of the centers in their respective markets.

In December, Hollywood Theater will celebrate its grand opening at The Pavilion at Port Orange. The remainder of the center will open in spring 2010. That project is also well leased or committed, currently at over 92%.

We celebrated the grand opening of the first phase of Hammock Landing, a community center in West Melbourne, FL, on April 1. The project opened approximately 80% leased or committed with Kohl's, Marshall's, Michaels, PETCO and various small shops. The center is off to an excellent start in terms of sales and reception from the community. Target, ULTA and additional shops opened in July.

We completed two expansions during the first quarter of 2009. Oak Park Mall in Kansas City, KS and Asheville Mall in Asheville, NC each opened a Barnes & Noble addition. We also completed a redevelopment of the former Lord & Taylor space at West County Center in St. Louis, MO, forming a 90,000 square foot open-air expansion. New tenants include North Face, Bravo, McCormick & Schmicks and Barnes & Noble, and we have signed Prime Bar to join later this year.

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 presented above, we do not have any other material capital commitments as of September 30, 2009.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 22 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, or have the option to obtain, 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 September 30, 2009 on the loans was $64.3 million of which we have guaranteed $17.4 million. We have recorded an obligation of $0.3 million in our condensed consolidated balance sheet as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of the guaranty.

We have guaranteed 100% of the construction and land loans of West Melbourne, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $55.0 million. West Melbourne recently completed the development of Hammock Landing, an open-air shopping center in West Melbourne, FL. The total amount outstanding at September 30, 2009 on the loan was $47.0 million. The guaranty will terminate upon repayment of the debt. The loan matures in August 2010, and has three one-year extension options, which are at our election, for an outside maturity date of August 2013. We have recorded an obligation of $0.7 million in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

We have guaranteed 100% of the construction and land loans of Port Orange, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is $120.3 million. Port Orange is currently developing The Pavilion at Port Orange, an open-air shopping center in Port Orange, FL. The total amount outstanding at September 30, 2009 on the loan was $71.4 million. The guaranty will terminate upon repayment of debt. The loan matures in June 2011, and has two one-year extension options, which are at our election, for an outside maturity date of June 2013. We have recorded an obligation of $1.1 million in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 to reflect the estimated fair value of this guaranty.

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 owns 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 million, which decreases by $0.8 million annually until the guaranteed amount is reduced to $10.0 million. The guaranty terminates on December 31, 2020. The maximum guaranteed obligation was $19.6 million as of September 30, 2009. 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 10 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 Current Report on Form 8-K dated July 27, 2009. 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 nine months ended September 30, 2009 and 2008.

Recent Accounting Pronouncements

Effective January 1, 2009, we adopted new accounting guidance related to fair value measurements of nonfinancial assets and liabilities. The adoption of this guidance did not have an impact on our condensed consolidated financial statements. See Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

Effective January 1, 2009, we adopted new accounting guidance related to noncontrolling interests in consolidated financial statements. See Noncontrolling Interests in Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding the adoption of this guidance, which did have an impact on our condensed consolidated financial statements.

Effective January 1, 2009, we adopted new accounting guidance related to disclosures about derivative instruments and hedging activities. The adoption of this guidance did not have an impact on our condensed consolidated financial statements, but did require additional disclosures regarding the Company's hedging activities. See Interest Rate Hedge Instruments in Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

Effective January 1, 2009, we adopted new accounting guidance related to determining whether instruments granted in share-based payment transactions are participating securities. The adoption did not have a material impact on our earnings per share. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

Effective January 1, 2009, we adopted new accounting guidance related to business combinations that changes certain aspects of current business combination accounting for business combinations entered into subsequent to December 31, 2008. The guidance requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and noncontrolling 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. We will apply the provisions of this guidance to future business combinations.

Effective January 1, 2009, we adopted new accounting guidance related to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The new accounting guidance amends previous guidance regarding accounting for pre-acquisition contingencies to more closely resemble the guidance originally issued for business combinations. According to the new guidance, an acquirer is required to recognize assets or liabilities arising from contingencies at fair value if fair value can be reasonably estimated. Otherwise, the asset or liability would generally be recognized in accordance with guidance related to accounting for contingencies. The provisions of the new accounting guidance are prospectively applied to business combinations completed subsequent to December 31, 2008. We will apply the provisions of this guidance to future business combinations.

Effective April 1, 2009, we adopted new accounting guidance related to determining fair value when the volume and level of activity for an asset or liability have significantly decreased and regarding identifying transactions that are not orderly. The new accounting guidance provides additional clarification on estimating fair value when the volume and level of activity for an asset or liability has significantly decreased or when circumstances indicate that a transaction is not orderly. The adoption did not have an impact on our condensed consolidated financial statements.

Effective April 1, 2009, we adopted new accounting guidance related to recognition and presentation of other-than-temporary impairments to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in an entity's financial statements. The new accounting guidance does not amend the existing recognition and measurement guidance on other-than-temporary impairments of debt and equity securities. The adoption did not have an impact on our condensed consolidated financial statements, but did require additional disclosures regarding our other-than-temporary impairments. See Notes 3 and 4 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

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Effective April 1, 2009, we adopted new accounting guidance related to interim disclosures about fair value of financial instruments that amends existing fair value disclosure and interim reporting requirements to require disclosures about fair value of financial instruments for interim reporting periods. The adoption did not have an impact on our condensed consolidated financial statements, but did require additional disclosures regarding the fair value of our financial instruments. See Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

Effective April 1, 2009, we adopted new accounting guidance related to subsequent events that establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date, but before the issuance of the financial statements. The guidance requires entities to disclose the date through which an entity has evaluated subsequent events, which for public companies, shall be the date the financial statements are issued. The adoption did not have an impact on our condensed consolidated financial statements.

Effective July 1, 2009, we adopted the "Financial Accounting Standards Board ("FASB") Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP. The Codification did not result in changes to current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one area. All existing accounting standard documents have been superseded and all other accounting literature not included in the Codification is considered nonauthoritative. Subsequent to the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Rather, it is issuing Accounting Standard Updates ("ASUs"), which are to serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. The adoption of the Codification did not have an impact on our condensed consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In June 2009, the FASB issued new accounting guidance regarding accounting for transfers of financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional related disclosures. The new accounting guidance is effective for fiscal years beginning after November 15, 2009. We are currently assessing the potential impact, if any, of the adoption of this guidance on our condensed consolidated financial statements.

In June 2009, the FASB issued new accounting guidance which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting, or similar, rights should be consolidated. The guidance clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This guidance requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. It also requires additional disclosure about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. The guidance is effective for fiscal years beginning after November 15, 2009. We are currently assessing the potential impact of the adoption of this guidance on our condensed consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, Fair Value Measurements and Disclosures ("ASU 2009-05"). ASU 2009-05 provides clarification on measuring the fair value of a liability. In circumstances in which a quoted market price in an active market for the identical liability is not available, a reporting entity is required to measure fair value by using either (i) a valuation technique that uses quoted prices for identical or similar liabilities or (ii) another valuation technique, such as present value calculations or a technique based on the amount paid or received by the reporting entity to transfer an identical liability. ASU 2009-05 is effective for interim periods beginning after its issuance. We are currently assessing the potential impact, if any, of the adoption of this guidance on our condensed consolidated financial statements.

Impact of Inflation

Due to the economic crisis that arose primarily in the fourth quarter of 2008 when the credit and equity investment markets experienced dramatic declines, consumers have experienced significant decreases in the prices of their equity securities investments, certain savings accounts linked to securities markets and housing values. Decreased spending due to low consumer confidence has left many businesses unprofitable, resulting in necessary cost containment measures including, but not limited to, permanent and temporary lay-offs of employees. The result has been one of the highest unemployment rates in recent history. During this deflationary-type period, generally prices of consumer goods have decreased in an effort to spur consumer spending as one method to assist in the turnaround of the current recession-level conditions. Consumers are wary of their purchases, especially those that are discretionary in nature, and are seeking lower-cost alternatives when buying both discretionary and necessary goods. This has left many businesses with no alternative but to decrease prices on goods and services simply to stay in business.

During inflationary periods, substantially all of our tenant leases 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 a fixed amount subject to annual increases for, or their share of, 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 noncontrolling interests. Adjustments for unconsolidated partnerships and joint ventures and noncontrolling 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 noncontrolling interest in our operating partnership. We believe FFO allocable to common shareholders is a useful performance measure because it is the performance measure that is most directly comparable to net income available to common shareholders.

In our reconciliation of net income available to common shareholders to FFO allocable to common shareholders that is presented below, we make an adjustment to add back noncontrolling 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 decreased 1.6% to $94.2 million for the three months ended September 30, 2009 from $95.8 million for the same period in 2008. FFO for the quarter ended September 30, 2009 was reduced by a non-cash impairment charge of $1.1 million related to the proposed sale of our 60.0% interest in Plaza Macaé, located in Macaé, Brazil. FFO for the quarter ended September 30, 2008 included $8.0 million of one-time fee income collected from affiliates of Centro, partially offset by a $5.8 million write-down of marketable securities.

FFO of the Operating Partnership decreased 1.5% for the nine months ended September 30, 2009 to $279.0 million compared to $283.1 million for the same period in 2008. FFO for the nine months ended September 30, 2009 was reduced by non-cash impairment charges of $1.1 million related to the proposed sale of our interest in Plaza Macaé and $7.7 million related to our investment in Jinsheng, an established mall operating and real estate development company located in Nanjing, China. FFO for the nine months ended September 30, 2008 included $8.0 million of one-time fee income collected from affiliates of Centro, partially offset by a $5.8 million write-down of marketable securities.

The reconciliation of FFO to net income available to common shareholders is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income available to common shareholders	$11,134	$3,985	$20,983	$19,823
Noncontrolling interest in earnings of operating partnership	4,758	3,068	11,173	15,195
Depreciation and amortization expense of:				
Consolidated properties	71,261	81,962	225,365	230,106
Unconsolidated affiliates	7,428	7,741	22,492	21,112
Discontinued operations	-	-	-	892
Non-real estate assets	(241)	(268)	(731)	(770)
Noncontrolling investors' share of depreciation and amortization	(120)	(292)	(385)	(943)
(Gain) loss on discontinued operations	(10)	(676)	62	(3,788)
Income tax provision on disposal of discontinued operations	-	256	-	1,439
Funds from operations of the operating partnership	94,210	95,776	278,959	283,066
Percentage allocable to Company shareholders (1)	72.63%	57.76%	65.25%	57.75%
Funds from operations allocable to Company shareholders	$68,425	$55,320	$182,021	$163,471

(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 various market risk exposures, including interest rate risk and foreign exchange rate risk. The following discussion regarding our risk management activities includes forward-looking statements that involve risk and uncertainties. Estimates of future performance and economic conditions are reflected assuming certain changes in interest and foreign exchange rates. Caution should be used in evaluating our overall market risk from the information presented below, as actual results may differ. We employ various derivative programs to manage certain portions of our market risk associated with interest rates. See Note 5 of the Notes to Condensed Consolidated Financial Statements for further discussions of the qualitative aspects of market risk, including derivative financial instrument activity.

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at September 30, 2009, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately $6.8 million and, after the effect of capitalized interest, annual earnings by approximately $6.2 million.

Based on our proportionate share of total consolidated and unconsolidated debt at September 30, 2009, a 0.5% increase in interest rates would decrease the fair value of debt by approximately $88.2 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately $90.4 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, 2008, by providing information that is current as of September 30, 2009:

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, eleven associated centers, six community centers and eight office buildings. We manage all but four of these properties. Governor's Square, Governor's Plaza, Kentucky Oaks and Plaza Macaé are all owned by joint ventures and are managed by either a third party managing general partner or a property manager that is affiliated with the third party managing general partner (the "managing partners"). The managing partners perform the property management and leasing services for these four Properties and receive fees for their services. The managing partners of the Properties control the cash flow distributions, although our approval is required for certain major decisions.

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

With respect to 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 partners 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 $2.7 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.

Possible terrorist activity or other acts of violence could adversely affect our financial condition and results of operations.

Future terrorist attacks in the United States, and other acts of violence, including terrorism or war, might result in declining economic activity, which could harm the demand for goods and services offered by our tenants and the values of our Properties, and might adversely affect an investment in our securities. A decrease in retail demand could make it difficult for us to renew or re-lease our Properties at lease rates equal to or above historical rates. Terrorist activities also could directly affect the value of our Properties through damage, destruction or loss.

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

The current decline in economic conditions, including increased volatility in the capital and credit markets, could adversely affect our business, results of operations and financial condition.

The United States is in the midst of an economic recession with the capital and credit markets experiencing extreme volatility and disruption. The current economic environment has been affected by dramatic declines in the stock and housing markets, increases in foreclosures, unemployment and costs of living, as well as limited access to credit. This deteriorating economic situation has impacted and is expected to continue to impact consumer spending levels, which can result in decreased revenues for our tenants and related decreases in the values of our Properties. A sustained economic downward trend could impact our tenants' ability to meet their lease obligations due to poor operating results, lack of liquidity, bankruptcy or other reasons. Our ability to lease space and negotiate rents at advantageous rates could also be affected in this type of economic environment. Additionally, if current levels of market volatility continue to worsen, access to capital and credit markets could be disrupted over a more extended period, which may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. Any of these events could harm our business, results of operations and financial condition.

Our recent common stock offering was dilutive, and there may be future dilution of our common stock.

After giving effect to the issuance of common stock in our recent offering, the receipt of the net proceeds and the use of such proceeds as described above, the offering may be expected to have a dilutive effect on our previously announced estimated earnings per share and funds from operations per share for the year ending December 31, 2009. The actual amount of dilution cannot be determined at this time and will be based on numerous factors.

Additionally, we are not restricted by our organizational documents, contractual arrangements or otherwise from issuing additional common stock or preferred shares, including any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities in the future. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after our recent common stock offering or the perception that such sales could occur. Additionally, future sales or issuances of substantial amounts of our common stock may be at prices below the $6.00 per share offering price applicable to our recent common stock offering and may adversely impact the market price of our common stock.

The market price of our common stock or other securities may fluctuate significantly.

The market price of our common stock or other securities may fluctuate significantly in response to many factors, including:

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;
- publication of research reports about us, the retail industry or the real estate industry generally;
- increases in market interest rates that lead purchasers of our securities to seek higher dividend or interest rate yields;
- changes in market valuations of similar companies;
- adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
- additions or departures of key management personnel;
- actions by institutional security holders;
- speculation in the press or investment community;
- the occurrence of any of the other risk factors included in, or incorporated by reference in, this report; and
- general market and economic conditions.

Many of the factors listed above are beyond our control. Those factors may cause the market price of our common stock or other securities to decline significantly, regardless of our financial performance and condition and prospects. It is impossible to provide any assurance that the market price of our common stock or other securities will not fall in the future, and it may be difficult for holders to sell such securities at prices they find attractive, or at all.

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.

Increased operating expenses and decreased occupancy rates may not allow us to recover the majority of our common area maintenance (CAM) and other operating expenses from our tenants, which could adversely affect our financial position, results of operations and funds available for future distributions.

Energy costs, repairs, maintenance and capital improvements to common areas of our Properties, janitorial services, administrative, property and liability insurance costs and security costs are typically allocable to our Properties' tenants. Our lease agreements typically provide that the tenant is liable for a portion of the CAM and other operating expenses. While historically our lease agreements provided for variable CAM provisions, the majority of our current leases require an equal periodic tenant reimbursement amount for our cost recoveries which serves to fix our tenants' CAM contributions to us. In these cases, a tenant will pay a single specified rent amount, or a set expense reimbursement amount, subject to annual increases, regardless of the actual amount of operating expenses. The tenant's payment remains the same regardless of whether operating expenses increase or decrease, causing us to be responsible for any excess amounts or to benefit from any declines. As a result, the CAM and tenant reimbursements that we receive may or may not allow us to recover a substantial portion of these operating costs.

Additionally, in the event that our Properties are not fully occupied, we would be required to pay the portion of any operating, redevelopment or renovation expenses allocable to the vacant space(s) that would otherwise typically be paid by the residing tenant(s).

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, reducing the likelihood that we would be able to sell the Properties if we decided to do so, or we may be required to incur redevelopment costs in order to successfully obtain new anchors or other significant tenants when such vacancies exist.

Our Properties may be subject to impairment charges which can adversely affect our financial results.

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 amount of the impairment charge is equal to the excess of the asset’s carrying value over its estimated fair value, which could have a material adverse effect on our financial results in the accounting period in which the adjustment is made. Our estimates of undiscounted cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved.

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

Increased inflation could have a 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 percentage rents, where applicable.

Deflation can result in a decline in general price levels, often caused by a decrease in the supply of money or credit. The predominant effects of deflation are high unemployment, credit contraction and weakened consumer demand. Restricted lending practices could impact our ability to obtain financings or refinancings for our properties and our tenants’ ability to obtain credit. Decreases in consumer demand can have a direct impact on our tenants and the rents we receive.

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 subsequent to 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 DEBT AND FINANCIAL MARKETS

The deterioration of the capital and credit markets could adversely affect our ability to access funds and 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 lending institutions to grant credit to us and conditions in the capital markets in general. The United States is in the midst of an economic recession with the capital and credit markets experiencing extreme volatility and disruption. If current levels of market volatility continue to worsen, access to capital and credit markets could be disrupted over an extended period of time, which may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. Although we have successfully obtained debt for refinancings of our maturing debt, acquisitions and the construction of new developments in the past, we cannot make any assurances as to whether we will be able to obtain debt in the future, or that the financing options available to us will be on favorable or acceptable terms.

We rely upon our largest secured and unsecured credit facilities as sources of funding for numerous transactions. Our access to these funds is dependent upon the ability of each of the participants to the credit facilities to meet their funding commitments. Given the tightening of the credit markets, the massive losses suffered recently by many financial institutions, steep declines in the stock markets and the need for government intervention through "bail-out" procedures, many financial institutions simply do not have the available capital to meet their previous commitments. The failure of one or more significant participants to our credit facilities to meet their funding commitments could have an adverse affect on our financial condition and results of operations.

Our indebtedness is substantial and could impair our ability to obtain additional financing.

We received approximately $381.6 million in net proceeds from the sale of additional shares of our common stock in our recent offering which closed on June 15, 2009, after payment of the underwriting discount and our other offering expenses. These proceeds were used to reduce amounts outstanding under our current credit facilities.

At September 30, 2009, our total share of consolidated and unconsolidated debt outstanding was approximately $6,253.6 million, which represents approximately 74.6% of our total market capitalization at that time. Giving effect to all maturity extensions available at our option, as of September 30, 2009, the balance at maturity of our share of total consolidated and unconsolidated debt (after giving effect to amortization through maturity) was approximately $5,834.7 million, including $52.3 million, $566.7 million, $682.7 million, $1,410.6 million and $3,122.4 million currently scheduled to mature in 2009, 2010, 2011, 2012 and thereafter, respectively. Our existing consolidated and unconsolidated debt obligations generally contain maturity extension options which are available to us only if we are in compliance with all of the terms of the related indebtedness and we pay an extension fee to the lender. No assurance can be given that we will meet all of the conditions necessary to exercise any maturity extension option at the relevant time.

Our substantial leverage could have important consequences. For example, it could:

- result in the acceleration of a significant amount of debt for non-compliance with the terms of such debt or, if such debt contains cross-default or cross-acceleration provisions, other debt;

- result in the loss of assets due to foreclosure or sale on unfavorable terms, which could create taxable income without accompanying cash proceeds;

- materially impair our ability to borrow unused amounts under existing financing arrangements or to obtain additional financing or refinancing on favorable terms or at all;

- require us to dedicate a substantial portion of our cash flow to paying principal and interest on our indebtedness, reducing the cash flow available to fund our business, to pay dividends, including those necessary to maintain our

REIT qualification, or to use for other purposes;

- increase our vulnerability to the ongoing economic downturn;

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- limit our ability to withstand competitive pressures; or
- reduce our flexibility to respond to changing business and economic conditions.

If any of the foregoing occurs, our business, financial condition, liquidity, results of operations and prospects could be materially and adversely affected, and the trading price of our common stock or other securities could decline significantly.

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.

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 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.

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 48.3% of our total revenues from all Properties for the nine months ended September 30, 2009 and currently include 43 malls, 20 associated centers, 8 community centers and 18 office buildings. Our Properties located in the midwestern United States accounted for approximately 32.6% of our total revenues from all Properties for the nine months ended September 30, 2009 and currently include 27 malls and 4 associated centers and one community center. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. We will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

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, Kansas City (Overland Park), KS, Madison, WI and Chattanooga, TN metropolitan areas, which are our five largest markets.

Our Properties located in the St. Louis, MO, Nashville, TN, Kansas City (Overland Park), KS, Madison, WI and Chattanooga, TN metropolitan areas accounted for approximately 9.5%, 4.0%, 3.2%, 2.7% and 2.5%, respectively, of our total revenues for the nine months ended September 30, 2009. No other market accounted for more than 2.5% of our total revenues for the nine months ended September 30, 2009. 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 INTERNATIONAL INVESTMENTS

We have ownership interests in certain property investments and joint ventures outside the United States that present numerous risks that differ from those of our domestic investments.

We hold ownership interests in joint ventures and properties in Brazil and China, respectively, that are currently immaterial to our consolidated financial position. International development and ownership activities yield additional risks that differ from those related to our domestic properties and operations. These additional risks include, but are not limited to:

- Impact of adverse changes in exchange rates of foreign currencies;
- Difficulties in the repatriation of cash and earnings;
- Differences in managerial styles and customs;
- Changes in applicable laws and regulations in the United States that affect foreign operations;
- Changes in foreign political, legal and economic environments; and
- Differences in lending practices.

Our international activities are currently limited in their scope. However, should our investments in international joint ventures and property investments grow, these additional risks could increase in significance and adversely affect our results of operations.

RISKS RELATED TO DIVIDENDS

We may change the dividend policy for our common stock in the future.

Our Board of Directors has determined to reduce our annual common stock dividend to the minimum amount required for us to distribute approximately 100% of our taxable income for 2009. We previously paid dividends during 2009 aggregating $0.85 per share of common stock. On September 1, 2009, our Board of Directors declared a quarterly common stock dividend of $0.05 per share of common stock, which was paid entirely in cash on October 15, 2009 to holders of record of our common stock on September 30, 2009.

We currently expect that we will pay one additional quarterly dividend for the remainder of 2009, and that this dividend will be paid entirely in cash. However, depending upon our liquidity needs, we reserve the right to pay any or all of this dividend in a combination of cash and shares of common stock, in accordance with applicable revenue procedures of the IRS. A recent IRS revenue procedure allows us to satisfy our 2009 REIT distribution requirement by distributing up to 90% of each 2009 common stock dividend in shares of our common stock in lieu of cash provided certain other criteria are met. In the event that we pay a portion of our dividends in shares of our common stock pursuant to such procedure, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the

portion paid in shares of common stock, in which case such stockholders may have to use cash from other sources to pay such tax. If a U.S. stockholder sells the common stock it receives as a dividend in order to pay its taxes, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold federal tax with respect to our dividends, including dividends that are paid in common stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales would put downward pressure on the market price of our common stock.

The decision to declare and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our Board of Directors and will depend on our earnings, taxable income, funds from operations, liquidity, financial condition, capital requirements, contractual prohibitions or other limitations under our indebtedness and preferred stock, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), Delaware law and such other factors as our Board of Directors deems relevant. While the statements above concerning dividend payments for 2009 reflect our current intentions, any actual dividends payable will be determined by our Board of Directors based upon the circumstances at the time of declaration, and the actual dividends payable may vary from such intended amounts. Any change in our dividend policy could have a material adverse effect on the market price of our common stock.

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 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, and certain provisions of Delaware law may hinder any attempt to acquire us.

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

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

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

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

- Vote Required to Amend Bylaws – A vote of 66 2/3% of our outstanding voting stock (in addition to any separate approval that may be required by the holders of any particular class of stock) is necessary for stockholders to amend our bylaws.

- 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.

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: November 9, 2009

INDEX TO EXHIBITS

Exhibit Number	Description
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company, dated October 8, 2009.
3.5	Amended and Restated Certificate of Incorporation of the Company, as amended through October 8, 2009.
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.