

CBL & ASSOCIATES PROPERTIES INC
Form 10-Q
August 11, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-12494

CBL & ASSOCIATES PROPERTIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)
2030 Hamilton Place Blvd., Suite 500, Chattanooga, TN 37421-6000
(Address of principal executive office, including zip code)

62-1545718
(I.R.S. Employer Identification Number)

423.855.0001
(Registrant's telephone number, including area code)

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

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

Yes No

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.

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Large accelerated filer

Accelerated filer

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

Smaller Reporting Company

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

Yes

No

As of August 4, 2008, there were 66,331,607 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)

	June 30, 2008	December 31, 2007
	<u> </u>	<u> </u>
ASSETS		
Real estate assets:		
Land	\$ 861,234	\$ 917,578
Buildings and improvements	7,229,632	7,263,907
	<u>8,090,866</u>	<u>8,181,485</u>
Accumulated depreciation	(1,213,790)	(1,102,767)
	<u>6,877,076</u>	<u>7,078,718</u>
Held for sale	137,936	—
Developments in progress	408,587	323,560
	<u>7,423,599</u>	<u>7,402,278</u>
Net investment in real estate assets	7,423,599	7,402,278
Cash and cash equivalents	66,450	65,826
Cash held in escrow	2,650	—
Receivables:		
Tenant, net of allowance for doubtful accounts of \$1,250 in 2008 and \$1,126 in 2007	65,738	72,570
Other	12,810	10,257
Mortgage and other notes receivable	48,883	135,137
Investments in unconsolidated affiliates	221,365	142,550
Intangible lease assets and other assets	251,406	276,429
	<u>\$ 8,092,901</u>	<u>\$ 8,105,047</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage and other notes payable	\$ 5,998,158	\$ 5,869,318
Accounts payable and accrued liabilities	353,744	394,884
	<u>6,351,902</u>	<u>6,264,202</u>
Total liabilities	6,351,902	6,264,202
Commitments and contingencies (Notes 3, 5 and 11)		
Minority interests	875,211	920,297
	<u>875,211</u>	<u>920,297</u>
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		

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7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2008 and 2007	5	5
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2008 and 2007	7	7
Common stock, \$.01 par value, 180,000,000 shares authorized, 66,325,420 and 66,179,747 shares issued and outstanding in 2008 and 2007, respectively	663	662
Additional paid-in capital	997,821	990,048
Accumulated other comprehensive loss	(6,192)	(20)
Accumulated deficit	(126,516)	(70,154)
	<hr/>	<hr/>
Total shareholders' equity	865,788	920,548
	<hr/>	<hr/>
	\$ 8,092,901	\$ 8,105,047
	<hr/>	<hr/>

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 June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
REVENUES:				
Minimum rents	\$ 175,390	\$ 154,871	\$ 347,268	\$ 309,120
Percentage rents	1,607	1,852	6,597	8,334
Other rents	4,204	3,947	9,215	8,362
Tenant reimbursements	79,567	74,975	165,818	152,646
Management, development and leasing fees	2,484	3,954	5,422	5,175
Other	6,275	6,690	13,304	11,670
Total revenues	<u>269,527</u>	<u>246,289</u>	<u>547,624</u>	<u>495,307</u>
EXPENSES:				
Property operating	43,794	38,764	91,815	81,829
Depreciation and amortization	73,064	60,491	146,680	117,099
Real estate taxes	23,749	19,862	47,604	40,508
Maintenance and repairs	14,780	14,003	32,487	29,294
General and administrative	11,114	10,570	23,645	20,767
Other	6,541	4,802	13,540	8,441
Total expenses	<u>173,042</u>	<u>148,492</u>	<u>355,771</u>	<u>297,938</u>
Income from operations	96,485	97,797	191,853	197,369
Interest income	2,182	2,883	4,909	5,628
Interest expense	(76,455)	(68,814)	(156,679)	(134,941)
Loss on extinguishment of debt	—	—	—	(227)
Gain on sales of real estate assets	4,273	2,698	7,349	6,228
Equity in earnings (losses) of unconsolidated affiliates	(186)	1,084	793	1,682
Income tax provision	(3,838)	(948)	(4,195)	(1,751)
Minority interest in earnings:				—
Operating partnership	(7,385)	(9,035)	(12,127)	(22,598)
Shopping center properties	(6,402)	(3,567)	(12,451)	(4,297)
Income from continuing operations	8,674	22,098	19,452	47,093
Operating income of discontinued operations	3,335	590	4,183	693
Gain (loss) on discontinued operations	3,112	—	3,112	(55)
Net income	15,121	22,688	26,747	47,731
Preferred dividends	(5,454)	(11,223)	(10,909)	(18,865)

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Net income available to common shareholders	\$ 9,667	\$ 11,465	\$ 15,838	\$ 28,866
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Basic per share data:

Income from continuing operations, net of preferred dividends	\$ 0.05	\$ 0.17	\$ 0.13	\$ 0.43
Discontinued operations	0.10	0.01	0.11	0.01

Net income available to common shareholders	\$ 0.15	\$ 0.18	\$ 0.24	\$ 0.44
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Weighted average common shares outstanding	65,982	65,246	65,940	65,178
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Diluted per share data:

Income from continuing operations, net of preferred dividends	\$ 0.05	\$ 0.16	\$ 0.13	\$ 0.43
Discontinued operations	0.10	0.01	0.11	0.01

Net income available to common shareholders	\$ 0.15	\$ 0.17	\$ 0.24	\$ 0.44
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Weighted average common and potential dilutive common shares outstanding	66,206	65,992	66,146	65,905
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Dividends declared per common share	\$ 0.5450	\$ 0.5050	\$ 1.0900	\$ 1.0100
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The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 26,747	\$ 47,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	89,193	76,554
Amortization	64,255	45,323
Net amortization of debt premiums and discounts	(3,936)	(3,830)
Net amortization of above- and below-market leases	(5,108)	(5,692)
Gain on sales of real estate assets	(7,349)	(6,228)
(Gain) loss on discontinued operations	(3,112)	55
Write-off of development projects	2,911	599
Share-based compensation expense	2,727	3,210
Income tax benefit from share-based compensation	3,736	1,139
Loss on extinguishment of debt	—	227
Equity in earnings of unconsolidated affiliates	(793)	(1,682)
Distributions of earnings from unconsolidated affiliates	6,943	3,019
Minority interest in earnings	24,578	26,895
Changes in:		
Tenant and other receivables	4,280	6,842
Other assets	(430)	(784)
Accounts payable and accrued liabilities	(14,149)	11,002
Net cash provided by operating activities	190,493	204,380
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(252,909)	(259,679)
Acquisitions of real estate assets and intangible lease assets	—	(11,506)
Cash placed in escrow	(2,650)	—
Proceeds from sales of real estate assets	42,113	14,586
Purchases of available-for-sale securities	—	(24,325)
Additions to mortgage notes receivable	(9,741)	(2,453)
Payments received on mortgage notes receivable	103,964	1,711
Additional investments in and advances to unconsolidated affiliates	(71,119)	(24,920)
Distributions in excess of equity in earnings of unconsolidated affiliates	23,365	4,580
Purchase of minority interests in shopping center properties	—	(8,007)
Purchase of minority interests in the Operating Partnership	—	(9,422)
Changes in other assets	(10,389)	(5,980)
Net cash used in investing activities	(177,366)	(325,415)

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

	Six Months Ended June 30,	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other notes payable	\$ 764,387	\$ 1,047,530
Principal payments on mortgage and other notes payable	(622,553)	(656,529)
Additions to deferred financing costs	(2,870)	(3,532)
Proceeds from issuances of common stock	171	163
Proceeds from exercises of stock options	584	2,957
Income tax benefit from share-based compensation	(3,736)	(1,139)
Redemption of preferred stock	—	(100,000)
Prepayment fees to extinguish debt	—	(233)
Contributions from minority partners	2,567	—
Distributions to minority interests	(67,938)	(57,231)
Dividends paid to holders of preferred stock	(10,909)	(15,236)
Dividends paid to common shareholders	(72,206)	(66,170)
	(12,503)	150,580
Net cash provided by (used in) financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	624	29,545
CASH AND CASH EQUIVALENTS, beginning of period	65,826	28,700
	\$ 66,450	\$ 58,245
CASH AND CASH EQUIVALENTS, end of period		
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 162,076	\$ 138,886

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(In thousands, except per share data)

Note 1 – Organization and Basis of Presentation

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the “Operating Partnership”). At June 30, 2008, the Operating Partnership owned controlling interests in 75 regional malls/open-air centers, 28 associated centers (each adjacent to a regional mall), eight community centers 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 June 30, 2008, the Operating Partnership owned non-controlling interests in nine regional malls/open-air centers, four associated centers, three community centers and six office buildings. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. The Operating Partnership had five mall expansions, two associated/lifestyle centers (one of which is owned in a joint venture), one mixed-use center and six community/open-air centers (five of which are owned in joint ventures) under construction at June 30, 2008. The Operating Partnership also holds options to acquire certain development properties owned by third parties.

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At June 30, 2008, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned a 55.1% limited partner interest for a combined interest held by CBL of 56.7%.

The minority interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively “CBL’s Predecessor”) and by affiliates of The Richard E. Jacobs Group, Inc. (“Jacobs”). CBL’s Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for limited partner interests when the Operating Partnership acquired the majority of Jacobs’ interests in 23 properties in January 2001 and the balance of such interests in February 2002. At June 30, 2008, CBL’s Predecessor owned a 14.9% limited partner interest, Jacobs owned a 19.6% limited partner interest and third parties owned an 8.8% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 7.2 million shares of CBL’s common stock at June 30, 2008, for a total combined effective interest of 21.0% in the Operating Partnership.

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

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

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

("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. Material intercompany transactions have been eliminated. The results for the interim period ended June 30, 2008, are not necessarily indicative of the results to be obtained for the full fiscal year.

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

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

Note 2 – Recent Accounting Pronouncements

In June 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") Emerging Issues Task Force ("EITF") 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP EITF 03-6-1 requires that vested 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. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively. The adoption of FSP EITF 03-6-1 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the source of accounting principles and the order in which to select the principles to be used in the preparation of financial statements presented in accordance with GAAP in the United States. The FASB concluded that the GAAP hierarchy should reside in the accounting literature because reporting entities are responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. SFAS No. 162 is effective sixty days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board Amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The adoption of SFAS No. 162 is not expected to have an impact on the Company's consolidated financial statements.

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

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*, which requires that a noncontrolling interest in a

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

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which changes certain aspects of current business combination accounting. SFAS No. 141(R) requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and 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. SFAS No. 141(R) is effective for business combination transactions for which the acquisition date is in a fiscal year beginning on or after December 15, 2008. The adoption of SFAS No. 141(R) is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 – Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FSP 157-2 which delays the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The Company adopted the provisions of SFAS No. 157 for financial assets and financial liabilities on January 1, 2008.

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

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

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

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

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The following table sets forth information regarding the Company's financial instruments that are measured at fair value in the Condensed Consolidated Balance Sheet as of June 30, 2008:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 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	\$ 16,717	\$ 16,717	\$ —	\$ —
Privately held debt and equity securities	4,875	—	—	4,875
Liabilities:				
Interest rate swaps	\$ 3,098	\$ —	\$ 3,098	\$ —

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 shareholders' equity. During the three and six months ended June 30, 2008, the Company did not recognize any realized gains and losses or write-downs related to sales or disposals of marketable securities or other-than-temporary impairments. The fair value of the Company's available-for-sale securities is based on quoted market prices and, thus, is classified under Level 1.

The Company holds a convertible note receivable from, and a warrant to acquire shares of, Jinsheng Group, in which the Company also holds a cost-method investment. See Note 4 for additional information. The convertible note receivable is non-interest bearing and is secured by shares of the private entity. Since the convertible note receivable is non-interest bearing and there is no active market for the entity's debt, the Company performed an analysis on the note considering credit risk and discounting factors to determine the fair value. The warrant was valued using estimated share price and volatility variables in a Black Scholes model. Due to the significant estimates and assumptions used in the valuation of the note and warrant, the Company has classified these under Level 3. During the three and six months ended June 30, 2008, there were no changes in the fair values of the note and warrant.

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

SFAS No. 157 requires separate disclosure of assets and liabilities measured at fair value on a recurring basis from those measured at fair value on a nonrecurring basis. As of June 30, 2008, no assets or liabilities were measured at fair value on a nonrecurring basis.

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

Note 4 – Joint Ventures

Equity Method Investments

At June 30, 2008, the Company had investments in the following 21 entities, which are accounted for using the equity method of accounting:

Joint Venture	Property Name	Company's Interest
CBL Brazil	Plaza Macaé	60.0%
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center, Renaissance Center and a portfolio of six office buildings	50.0%
Governor's Square IB	Governor's Plaza	50.0%
Governor's Square Company	Governor's Square	47.5%
West Melbourne I, LLC	Hammock Landing Phase I	
West Melbourne II, LLC	Hammock Landing Phase II	50.0%
High Pointe Commons, LP	High Pointe Commons	50.0%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0%
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	45.0%
Port Orange I, LLC	The Pavilion at Port Orange	50.0%
Port Orange II, LLC	The Landing	50.0%
TENCO-CBL Servicios Inmobiliarios S.A. (1)	N/A	50.0%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0%
Village at Orchard Hills, LLC	The Village at Orchard Hills	50.0%
York Town Center, LP	York Town Center	50.0%

(1) Joint venture to provide property management services.

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

	Total for the Three Months Ended June 30,		Company's Share for the Three Months Ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 39,633	\$ 23,607	\$ 20,575	\$ 11,909

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Depreciation and amortization of real estate assets	(13,003)	(7,136)	(6,694)	(3,621)
Interest expense	(14,273)	(8,346)	(7,208)	(4,206)
Other operating expenses	(13,223)	(7,169)	(6,859)	(3,652)
Gain (loss) on sales of real estate assets	(6)	1,253	—	654
Net income	\$ (872)	\$ 2,209	\$ (186)	\$ 1,084

	Total for the Six Months Ended June 30,		Company's Share for the Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 77,919	\$ 47,169	\$ 40,374	\$ 23,807
Depreciation and amortization of real estate assets	(26,003)	(14,032)	(13,371)	(7,125)
Interest expense	(27,279)	(16,663)	(13,834)	(8,398)
Other operating expenses	(24,566)	(14,825)	(12,805)	(7,512)
Gain on sales of real estate assets	466	1,791	429	910
Net income	\$ 537	\$ 3,440	\$ 793	\$ 1,682

In May 2007, the Company entered into a joint venture agreement with certain third parties to develop and operate The Village at Orchard Hills, a lifestyle center in Grand Rapids Township, MI. The Company holds a 50% ownership interest in the joint venture. The Company determined that its investment represented a variable interest entity and that the Company was the primary beneficiary. As a result, the joint venture was accounted for on a consolidated basis, with the interests of the third parties reflected as minority interest. During the second quarter of 2008, the Company reconsidered whether this entity was a variable interest entity and determined that it was not. As a result, the Company ceased consolidating the entity and began accounting for it as an unconsolidated affiliate using the equity method of accounting during the second quarter of 2008.

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 obtained its 50% interest in the joint venture by contributing cash of \$1,500, agreeing to contribute an additional \$500 by September 30, 2008, and agreeing to contribute future dividends up to \$1,000. TENCO Realty S.A. will be responsible for managing the joint venture. Net cash flow and income (loss) will be allocated 50/50 to TENCO Realty S.A. and the Company. The Company records its investment in this joint venture using the equity method of accounting.

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

Effective January 30, 2008, the Company entered into two 50/50 joint ventures, Port Orange I, LLC and Port Orange II, LLC, with Benchmark to develop the Pavilion at Port Orange (the "Pavilion"), an open-air shopping center in Port Orange, Florida that will be developed in two phases. The Company obtained its 50% interests in the joint ventures by contributing cash of \$13,812. The Company will develop and manage the Pavilion. Under the terms of the joint venture agreement, any additional capital contributions are to be funded according to ownership interest. Likewise, the joint ventures' net cash flows and income (loss) will be allocated 50/50 to Benchmark and the Company. The Company records its investments in these joint ventures using the equity method of accounting.

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

fixed rate of 5.61% and matures in July 2016.

Cost Method Investments

In February 2007, the Company acquired a 6.2% minority interest in subsidiaries of Jinsheng Group ("Jinsheng"), an established mall operating and real estate development company located in Nanjing, China, for \$10,125. As of June 30, 2008, Jinsheng owns controlling interests in four home decoration shopping centers, two general retail shopping centers and four development sites.

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

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

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

During the first quarter of 2008, the Company became aware that a lender to Jinsheng had declared an event of default under its loan, claiming that the loan proceeds had been improperly advanced to a related party entity owned by Jinsheng's founder. As a result, the lender sought to exercise its rights to register ownership of 100% of the shares of Jinsheng that were pledged as collateral for the loan. The loan was repaid in full, including interest, penalty and other charges, during the second quarter of 2008 and the pledged shares were released by the lender. The Company and its fellow investor are currently working with Jinsheng's founder to develop a restructuring plan that includes, among other things, provisions for the future settlement of the related party receivable. Based on information to date, the Company believes the goals of the restructuring plan will be fully achieved.

Variable Interest Entities

In October 2006, the Company entered into a loan agreement with a third party under which the Company would loan the third party up to \$18,000 to fund land acquisition costs and certain predevelopment expenses for the purpose of developing a shopping center. The Company determined that its loan to the third party represented a variable interest in a variable interest entity and that the Company was the primary beneficiary. As a result, the Company consolidated this entity.

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

Note 5 – Mortgage and Other Notes Payable

Mortgage and other notes payable consisted of the following at June 30, 2008 and December 31, 2007, respectively:

	June 30, 2008		December 31, 2007	
	Amount	Weighted Average Interest Rate (1)	Amount	Weighted Average Interest Rate (1)
Fixed-rate debt:				
Non-recourse loans on operating properties	\$ 4,253,373	5.93%	\$ 4,293,515	5.93%
Credit facility (2)	400,000	4.45%	250,000	4.51%
Total fixed-rate debt	4,653,373	5.80%	4,543,515	5.85%
Variable-rate debt:				
Recourse term loans on operating properties	123,099	3.65%	81,767	6.15%
Credit facilities	1,104,646	3.56%	1,165,032	6.28%
Construction loans	117,040	3.60%	79,004	6.20%
Total variable-rate debt	1,344,785	3.57%	1,325,803	6.13%
Total	\$ 5,998,158	5.30%	\$ 5,869,318	5.92%

- (1) Weighted-average interest rate including the effect of debt premiums (discounts), but excluding amortization of deferred financing costs.
- (2) The Company has entered into interest rate swaps on notional amounts totaling \$400,000 related to its largest secured credit facility to effectively fix the interest rate on that portion of the credit facility. Therefore, this amount is currently reflected in fixed-rate debt.

Unsecured Line of Credit

The Company has an unsecured credit facility with total availability of \$560,000 that bears interest at LIBOR plus a margin of 0.75% to 1.20% based on the Company's leverage ratio, as defined in the agreement to the facility. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility. The credit facility matures in August 2008 and has three one-year extension options, which are at the Company's election. At June 30, 2008, the outstanding borrowings of \$407,000 under the unsecured credit facility had a weighted average interest rate of 3.38%.

Unsecured Term Facilities

In April 2008, the Company entered into a new unsecured term facility with total availability 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. The agreement to the facility contains default provisions customary for transactions of this nature and also contains cross-default provisions for defaults of the Company's \$560,000 unsecured credit facility, \$525,000 secured credit facility and the unsecured term facility used for the acquisition of certain properties from the Starmount Company or its affiliates. The facility matures in April 2011 and has two one-year extension options, which are at the Company's election. The facility was used to pay down outstanding balances on the Company's largest unsecured line of credit. At June 30, 2008,

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the outstanding borrowings of \$228,000 under the unsecured term facility had a weighted average interest rate of 4.09%.

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. The Company completed its acquisition of these properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured 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 agreement to the facility contains default provisions customary for transactions of this

nature and also contains cross-default provisions for defaults of the Company's \$560,000 unsecured credit facility, \$525,000 secured credit facility and \$228,000 unsecured term facility. The facility matures in November 2010 and has two one-year extension options, which are at the Company's election. At June 30, 2008, the outstanding borrowings of \$239,946 under this facility had a weighted average interest rate of 3.59%.

Secured Lines of Credit

The Company has four secured lines of credit that are used for construction, acquisition and working capital purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of the Company's operating properties. Borrowings under the secured lines of credit bear interest at LIBOR plus a margin ranging from 0.80% to 0.90% and had a weighted average interest rate of 3.32% at June 30, 2008. The Company also pays a fee based on the amount of unused availability under its largest secured credit facility at a rate of 0.125% of unused availability. The following summarizes certain information about the secured lines of credit as of June 30, 2008:

	Total Available	Total Outstanding	Maturity Date
\$	525,000	\$ 525,000	February 2009
	105,000	67,500	June 2010
	20,000	20,000	March 2010
	17,200	17,200	April 2010
\$	667,200	\$ 629,700	

Interest Rate Swaps

On January 2, 2008, the Company entered into a \$150,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on the Company's largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on the Company's designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.353%. The swap was valued at \$(979) as of June 30, 2008 and matures on December 30, 2009.

On December 31, 2007, the Company entered into a \$250,000 pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on the Company's largest secured credit facility equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.505%. The swap was valued at \$(2,119) as of June 30, 2008 and matures on December 30, 2009.

The above swaps have met the effectiveness test criteria since inception and changes in the fair values of the swaps are, thus, reported in other comprehensive income (loss) and will be reclassified into earnings in the same period or periods during which the hedged item affects earnings. The swaps' total fair value of \$(3,098) as of June 30, 2008 is included in Accounts Payable and Accrued Liabilities in the accompanying condensed consolidated balance sheet.

Letters of Credit

At June 30, 2008, the Company had additional secured and unsecured lines of credit with a total commitment of \$38,515 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled \$20,129 at June 30, 2008.

Covenants and Restrictions

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

Maturities

The weighted average remaining term of the Company's total consolidated debt was 3.9 years at June 30, 2008 and 4.4 years at December 31, 2007. The weighted average remaining term of the Company's consolidated fixed-rate debt was 4.5 years and 5.1 years at June 30, 2008 and December 31, 2007, respectively. The Company has thirteen loans and two lines of credit totaling \$1,571,622 that are scheduled to mature before June 30, 2009. Of the total amount scheduled to mature within the next twelve months, the two lines of credit account for \$932,000. The lines of credit represent the Company's largest secured and unsecured facilities, as discussed above. The secured facility has a one-year extension option and the unsecured facility has three one-year extension options. Of the thirteen loans scheduled to mature within the next twelve months, three loans totaling \$76,739 have extension options. The Company expects to extend, retire or refinance the loans.

Note 6 – Discontinued Operations

In June 2008, the Company sold Chicopee Marketplace III in Chicopee, MA to a third party for a sales price of \$7,523 and recognized a gain on the sale of \$1,560. The results of operations of this property have been reclassified to discontinued operations for the three and six months ended June 30, 2008 and 2007.

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 have been reclassified to discontinued operations for the three and six months ended June 30, 2008.

In April 2008, the Company completed the sale of five of the community centers located in Greensboro, NC to three separate buyers for an aggregate sales price of \$24,325. In June 2008, the Company completed the sale of one of the office properties for \$1,200. The Company recorded a net gain of \$1,566 during the three and six months ended June 30, 2008, attributable to these sales. The proceeds were used to retire a portion of the outstanding balance on the unsecured term facility that was originally used to purchase the properties.

In August 2007, the Company sold Twin Peaks Mall in Longmont, CO. During December 2007, the Company sold The Shops at Pineda Ridge in Melbourne, FL. The results of operations of these properties are included in discontinued operations for the three and six months ended June 30, 2007.

Total revenues for the properties included in discontinued operations in the accompanying condensed consolidated statements of operations were \$4,490 and \$9,228 for the three and six months ended June 30, 2008, respectively, and \$1,821 and \$3,359 for the three and six months ended June 30, 2007, respectively.

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:

<u>Three Months Ended June 30, 2008</u>	<u>Malls</u>	<u>Associated Centers</u>	<u>Community Centers</u>	<u>All Other (2)</u>	<u>Total</u>
Revenues	\$ 245,836	\$ 10,775	\$ 3,373	\$ 9,543	\$ 269,527
Property operating expenses (1)	(86,228)	(2,845)	(1,190)	7,940	(82,323)
Interest expense	(62,768)	(2,301)	(1,040)	(10,346)	(76,455)
Other expense	—	—	—	(6,541)	(6,541)
Gain (loss) on sales of real estate assets	2,250	29	(46)	2,040	4,273
Segment profit	<u>\$ 99,090</u>	<u>\$ 5,658</u>	<u>\$ 1,097</u>	<u>\$ 2,636</u>	108,481
Depreciation and amortization expense					(73,064)
General and administrative expense					(11,114)
Interest and other income					2,182
Equity in losses of unconsolidated affiliates					(186)
Income tax provision					(3,838)
Minority interest in earnings					(13,787)
Income from continuing operations					<u>\$ 8,674</u>
Capital expenditures (3)	\$ 58,867	\$ 1,645	\$ 311	\$ 52,185	\$ 113,008

<u>Three Months Ended June 30, 2007</u>	<u>Malls</u>	<u>Associated Centers</u>	<u>Community Centers</u>	<u>All Other (2)</u>	<u>Total</u>
Revenues	\$ 224,346	\$ 10,056	\$ 2,002	\$ 9,885	\$ 246,289
Property operating expenses (1)	(77,051)	(1,795)	(504)	6,721	(72,629)
Interest expense	(58,756)	(2,273)	(997)	(6,788)	(68,814)
Other expense	—	—	—	(4,802)	(4,802)
Gain (loss) on sales of real estate assets	(79)	—	(2)	2,779	2,698
Segment profit and loss	<u>\$ 88,460</u>	<u>\$ 5,988</u>	<u>\$ 499</u>	<u>\$ 7,795</u>	102,742
Depreciation and amortization expense					(60,491)
General and administrative expense					(10,570)
Interest and other income					2,883
Equity in earnings of unconsolidated affiliates					1,084
Income tax provision					(948)
Minority interest in earnings					(12,602)
Income from continuing operations					<u>\$ 22,098</u>

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Capital expenditures (3)	\$	81,154	\$	5,674	\$	1,770	\$	73,159	\$	161,757
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Six Months Ended June 30, 2008	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	\$ 499,488	\$ 21,725	\$ 6,529	\$ 19,882	\$ 547,624
Property operating expenses (1)	(178,484)	(5,490)	(2,382)	14,450	(171,906)
Interest expense	(125,837)	(4,607)	(2,175)	(24,060)	(156,679)
Other expense	—	—	—	(13,540)	(13,540)
Gain (loss) on sales of real estate assets	3,648	29	(44)	3,716	7,349
Segment profit	\$ 198,815	\$ 11,657	\$ 1,928	\$ 448	212,848
Depreciation and amortization expense					(146,680)
General and administrative expense					(23,645)
Interest and other income					4,909
Equity in earnings of unconsolidated affiliates					793
Income tax provision					(4,195)
Minority interest in earnings					(24,578)
Income from continuing operations					\$ 19,452
Total assets	\$ 6,857,666	\$ 346,367	\$ 209,214	\$ 679,654	\$ 8,092,901
Capital expenditures (3)	\$ 111,348	\$ 1,912	\$ 22,744	\$ 153,368	\$ 289,372

Six Months Ended June 30, 2007	Malls	Associated Centers	Community Centers	All Other (2)	Total
Revenues	\$ 454,964	\$ 20,613	\$ 3,980	\$ 15,750	\$ 495,307
Property operating expenses (1)	(159,557)	(4,401)	(1,288)	13,615	(151,631)
Interest expense	(112,863)	(4,129)	(1,990)	(15,959)	(134,941)
Other expense	—	—	—	(8,441)	(8,441)
Gain (loss) on sales of real estate assets	(172)	(10)	(11)	6,421	6,228
Segment profit	\$ 182,372	\$ 12,073	\$ 691	\$ 11,386	206,522
Depreciation and amortization expense					(117,099)
General and administrative expense					(20,767)
Loss on extinguishment of debt					(227)
Interest and other income					5,628
Equity in earnings of unconsolidated affiliates					1,682
Income tax provision					(1,751)
Minority interest in earnings					(26,895)
Income from continuing operations					\$ 47,093
Total assets	\$ 5,858,664	\$ 347,185	\$ 85,058	\$ 436,836	\$ 6,727,743
Capital expenditures (3)	\$ 143,685	\$ 15,666	\$ 9,755	\$ 107,138	\$ 276,244

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- (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 subsidiary 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 – Postretirement Benefits

Effective March 1, 2008, the Company adopted an unfunded plan to provide medical insurance coverage for up to two years to any retirees with thirty or more years of service and no eligibility for any other group health plan coverage or Medicare. The Company accounts for the plan pursuant to SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The Company elected to account for the obligation using the transition methodology. During the six months ended June 30, 2008, the Company incurred a total charge of \$172 related to the plan. There was no expense related to the plan during the three months ended June 30, 2008. Election of the transition methodology resulted in an unrecognized transition cost of \$416 as of June 30, 2008.

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On March 3, 2008, the Company's Senior Vice President and Director of Corporate Leasing announced his retirement effective March 31, 2008. In conjunction with his retirement, the Company agreed to the payment of certain compensation and to the acceleration of the vesting of any outstanding restricted stock awards, among other items. The Company incurred a total charge of \$1,216 during the six months ended June 30, 2008 related to the officer's retirement benefits, consisting of \$1,000 of base compensation, \$75 of pro rata bonus compensation, \$31 of health benefits and \$110 of restricted stock accelerated vesting.

Note 9 – Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Weighted average shares outstanding	66,326	65,648	66,214	65,607
Effect of nonvested stock awards	(344)	(402)	(274)	(429)
Denominator – basic earnings per share	65,982	65,246	65,940	65,178
Dilutive effect of:				
Stock options	145	525	140	553
Nonvested stock awards	48	113	36	136
Deemed shares related to deferred compensation arrangements	31	38	30	38
Denominator – diluted earnings per share	66,206	65,922	66,146	65,905

Note 10 – Comprehensive Income

The computation of comprehensive income for the three and six months ended June 30, 2008 and 2007 is as follows:

	Total for the Three Months Ended June 30,		Total for the Six Months Ended June 30,	
	2008	2007	2008	2007
Net Income	\$ 15,121	\$ 22,688	\$ 26,747	\$ 47,731
Change in unrealized loss on interest rate hedge agreements	5,925	—	(3,098)	—
Change in unrealized loss on available-for-sale securities	(1,165)	(3,003)	(4,651)	(2,472)
Change in foreign currency translation adjustments	1,377	—	1,577	—
Total other comprehensive income (loss)	6,137	(3,003)	(6,172)	(2,472)

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Comprehensive income	\$	<u>21,258</u>	\$	<u>19,685</u>	\$	<u>20,575</u>	\$	<u>45,259</u>
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Note 11 – Contingencies

The Company is currently involved in certain litigation that arises in the ordinary course of business. It is management's opinion that the pending litigation will not materially affect the financial position or results of operations of the Company.

The Company has guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which the Company owns a 45% interest, which owns Parkway Place in Huntsville, AL. The total amount outstanding at June 30, 2008, was \$53,200 of which the Company has guaranteed \$26,600. The guaranty will expire when the related debt matures in June 2009. The Company has not recorded an

obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company has guaranteed the performance of York Town Center, LP (“YTC”), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that owns property adjacent to the shopping center property YTC is currently operating. Under the terms of that agreement, YTC is obligated to cause performance of the third party’s obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord’s lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC’s performance under this agreement up to a maximum of \$22,000, which decreases by \$800 annually until the guaranteed amount is reduced to \$10,000. The maximum guaranteed obligation was \$20,400 as of June 30, 2008. The Company has entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts the Company is obligated to fund under the guaranty. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company owns a parcel of land that it is ground leasing to a third party developer for the purpose of developing a shopping center. The Company has guaranteed 27% of the third party’s construction loan and bond line of credit (the “loans”) of which the maximum guaranteed amount is \$31,554. The total amount outstanding at June 30, 2008 on the loans was \$27,827 of which the Company has guaranteed \$7,513. The Company has recorded an obligation of \$315 in the accompanying condensed consolidated balance sheets as of June 30, 2008 and December 31, 2007 to reflect the estimated fair value of the guaranty.

The Company has issued various bonds that it would have to satisfy in the event of non-performance. At June 30, 2008, the total amount outstanding on these bonds was \$44,708.

Note 12 – Share-Based Compensation

The compensation cost that was charged against income was \$871 and \$935 for the three months ended June 30, 2008 and 2007, respectively, and \$2,171 and \$2,198 for the six months ended June 30, 2008 and 2007, respectively. Compensation cost capitalized as part of real estate assets was \$245 and \$204 for the three months ended June 30, 2008 and 2007, respectively, and \$522 and \$391 for the six months ended June 30, 2008 and 2007, respectively.

The Company’s stock option activity for the six months ended June 30, 2008 is summarized as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 1, 2008	652,030	\$ 15.71
Exercised	(44,015)	13.26
Outstanding at June 30, 2008	<u>608,015</u>	<u>15.89</u>
Vested and exercisable at June 30, 2008	<u>608,015</u>	15.89

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A summary of the status of the Company's stock awards as of June 30, 2008, and changes during the six months ended June 30, 2008, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
	<u> </u>	<u> </u>
Nonvested at January 1, 2008	298,330	\$ 36.73
Granted	120,691	24.24
Vested	(126,671)	32.12
Forfeited	(8,250)	33.85
	<u> </u>	
Nonvested at June 30, 2008	284,100	33.58
	<u> </u>	

As of June 30, 2008, there was \$8,321 of total unrecognized compensation cost related to the nonvested stock awards granted under the plan, which is expected to be recognized over a weighted average period of 2.8 years.

Note 13 – Noncash Investing and Financing Activities

The Company's noncash investing and financing activities were as follows for the six months ended June 30, 2008 and 2007:

	Six Months Ended June 30,	
	2008	2007
	<u> </u>	<u> </u>
Accrued dividends and distributions	\$ 64,379	\$ 59,305
Additions to real estate assets accrued but not yet paid	33,182	37,471
Reclassification of developments in progress to mortgage and other notes receivable	6,596	6,528
Note receivable received for real estate assets	2,924	3,735
Minority interest issued in acquisition of real estate assets	—	330

Note 14 – Income Taxes

The Company has elected taxable REIT subsidiary status for some of its subsidiaries. This enables the Company to receive income and provide services that would otherwise be impermissible for REITs. For these entities, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance resulting from changes in circumstances that may affect the realizability of the related deferred tax asset is included in income.

The Company recorded an income tax provision of \$3,838 and \$948 for the three months ended June 30, 2008 and 2007, respectively. The income tax provision in 2008 consisted of a current and deferred income tax provision of \$2,235 and \$1,603, respectively. The income tax provision in 2007 consisted of a current income tax benefit of \$244 and a deferred income tax provision of \$1,192.

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The Company recorded an income tax provision of \$4,195 and \$1,751 for the six months ended June 30, 2008 and 2007, respectively. The income tax provision in 2008 consisted of a current and deferred income tax provision of \$3,736 and \$459, respectively. The income tax provision in 2007 consisted of a current and deferred income tax provision of \$895 and \$856, respectively.

The Company had a net deferred tax asset of \$3,873 at June 30, 2008 and \$4,332 at December 31, 2007. The net deferred tax asset at June 30, 2008 and December 31, 2007 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 six months ended June 30, 2008 and 2007, respectively.

Note 15 – Subsequent Events

Subsequent to June 30, 2008, the Company entered into a contract for the sale of New Garden Center, a community center located in Greensboro, NC for \$19.5 million. This center is reported in the real estate held for sale classification on the Company's consolidated balance sheet as of June 30, 2008 and is included in discontinued operations in the Company's consolidated statements of operations for the three and six months ended June 30, 2008. The sale is expected to close during August 2008.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes that are included in this Form 10-Q. In this discussion, the terms "we", "us", "our", and the "Company" refer to CBL & Associates Properties, Inc. and its subsidiaries.

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

EXECUTIVE OVERVIEW

We are a self-managed, self-administered, fully integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management and operation of regional malls and open-air and community shopping centers. Our shopping center properties are located in 27 states, but primarily in the southeastern and midwestern United States. We have elected to be taxed as a REIT for federal income tax purposes.

As of June 30, 2008, we owned controlling interests in 75 regional malls/open-air centers, 28 associated centers (each adjacent to a regional shopping mall), eight community centers 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 June 30, 2008, we owned noncontrolling interests in nine regional malls/open-air centers, four associated centers, three community centers and six office buildings. Because one or more of the other partners have substantive participating rights, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. We had five mall

expansions, two associated/lifestyle centers (one of which is owned in a joint venture), one mixed-use center and six community/open-air centers (five of which are owned in joint ventures) under construction at June 30, 2008.

The majority of our revenues is derived from leases with retail tenants and generally includes base minimum rents, percentage rents based on tenants' sales volumes and reimbursements from tenants for expenditures, including property operating expenses, real estate taxes and maintenance and repairs, as well as certain capital expenditures. We also generate revenues from sales of outparcel land at the properties and from sales of operating real estate assets when it is determined that we can realize the maximum value of the assets. Proceeds from such sales are generally used to pay off related construction loans or reduce borrowings on our credit facilities.

We were pleased with the positive growth in Funds From Operations ("FFO") for the three and six months ended June 30, 2008 compared with the respective prior year periods, especially in light of the current retail climate. FFO was positively impacted by the properties acquired in 2007, decreased interest expense on our variable rate debt and higher lease termination fees and outparcel sales. Partially offsetting these increases were higher income tax expense, bad debt expense and abandoned project costs. FFO is a key performance measure for real estate companies. Please see the more detailed discussion of this measure on page 41.

Despite the tight credit markets, in April 2008, we successfully closed on a new, unsecured term facility of \$228.0 million. In addition, we have several new developments, redevelopments and expansions in process for which the equity has been funded and construction financing for the balance of each project's cost is already in place.

Store closures and bankruptcies have significantly increased in 2008. During July 2008, Steve & Barry's announced that it had filed for bankruptcy. This tenant represents our largest outstanding bankruptcy exposure. However, overall store closures and tenant bankruptcies through June 30, 2008 have represented less than one percent of total revenues. We have a group dedicated to exploring strategies designed to limit the impact from store closures, including temporary tenants, options for space redevelopment, signing junior anchor replacements, and other alternative uses.

Aside from concerns surrounding the economy and credit markets, our 2008 results are beginning to reflect the benefits from the expansions and enhancements that we made to our existing portfolio in 2007, as well as the properties that we acquired in the latter part of that year. Our new development projects that are scheduled to open in 2008 should serve to maintain the positive momentum. We saw this first-hand at the grand opening of Pearland Town Center in July 2008. This project represents our first mixed-use development combining retail, hotel, office and residential components. The center opened 85% leased and committed and 70% occupied.

RESULTS OF OPERATIONS

We have acquired or opened five malls/open-air centers, one associated center, 13 community centers and 19 office buildings since January 1, 2007 (collectively referred to as the "New Properties"). These transactions impact the comparison of the results of operations for the three and six months ended June 30, 2008 to the results of operations for the comparable periods ended June 30, 2007. Properties that were in operation as of January 1, 2007 and June 30, 2008 are referred to as the "Comparable Properties." We do not consider a property to be one of the Comparable Properties until it has been owned or open for one complete calendar year. Any reference to the New Properties in this section excludes those properties that are accounted for using the equity method of accounting or that are included in Discontinued Operations. The New Properties are as follows:

Property	Location	Date Acquired / Opened
<u>Acquisitions:</u>		
Chesterfield Mall	St. Louis, MO	Oct-07
Mid Rivers Mall	St. Peters, MO	Oct-07
South County Center	St. Louis, MO	Oct-07
West County Center	St. Louis, MO	Oct-07
Friendly Center and The Shops at Friendly (50/50 joint venture) (1)	Greensboro, NC	Nov-07
Brassfield Square (2) (3)	Greensboro, NC	Nov-07
Caldwell Court (2) (3)	Greensboro, NC	Nov-07
Garden Square (2) (3)	Greensboro, NC	Nov-07
Hunt Village (2) (3)	Greensboro, NC	Nov-07
New Garden Center (2)	Greensboro, NC	Nov-07
Northwest Centre (2) (3)	Greensboro, NC	Nov-07
Oak Hollow Square (2)	High Point, NC	Nov-07
Westridge Square (2)	Greensboro, NC	Nov-07
1500 Sunday Drive Office Building (2)	Raleigh, NC	Nov-07
Portfolio of Five Office Buildings (2) (4)	Greensboro, NC	Nov-07
Portfolio of Two Office Buildings (2)	Chesapeake, VA	Nov-07
Portfolio of Four Office Buildings (2)	Newport News, VA	Nov-07
Portfolio of Six Office Buildings (50/50 joint venture) (1)	Greensboro, NC	Nov-07
CBL Center II	Chattanooga, TN	Jan-08
Renaissance Center (50/50 joint venture) (1)	Durham, NC	Feb-08
<u>New Developments:</u>		
The Shoppes at St. Clair Square	Fairview Heights, IL	Mar-07
Alamance Crossing East	Burlington, NC	Aug-07
York Town Center (50/50 joint venture) (1)	York, PA	Sep-07
Cobblestone Village at Palm Coast	Palm Coast, FL	Oct-07
Milford Marketplace	Milford, CT	Oct-07

- (1) These properties are held in entities that are accounted for using the equity method of accounting. Therefore, the results of operations for these properties are included in Equity in Earnings of Unconsolidated Affiliates in the accompanying condense consolidated statements of operations.
- (2) These properties are included in Discontinued Operations for the three and six months ended June 30, 2008.
- (3) These properties were sold in April 2008.
- (4) One office building was sold in June 2008.

Comparison of the Three Months Ended June 30, 2008 to the Three Months Ended June 30, 2007

Revenues

The \$23.2 million increase in rental revenues and tenant reimbursements was attributable to an increase of \$23.0 million from the New Properties and an increase of \$0.2 million from the Comparable Properties. The increase in revenues of the Comparable Properties was driven by higher lease termination fees of \$1.4 million and base rents of \$1.0 million, partially offset by decreases in percentage rents and tenant reimbursements of \$0.5 million and \$0.5 million, respectively, and a decrease in below-market lease amortization of \$1.1 million. The lease termination fees were primarily attributable to a tenant who recently closed their remaining nine locations with us. We have already executed

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leases on six of these nine locations. Base rents have increased for new and renewal leases. As of June 30, 2008 base rents increased to \$29.17 per square foot for stabilized malls, compared to \$28.00 per square foot as of June 30, 2007. Percentage rents decreased during the current quarter due to lower sales. Below-market lease amortization decreased due to a higher amount of write-offs in the prior year quarter combined with an increasing number of tenant leases becoming fully amortized in the prior year.

Our cost recovery ratio declined to 96.7% for the three months ended June 30, 2008 from 102.8% for the prior year quarter. We are in the process of converting tenants to a fixed common area maintenance ("CAM") charge as compared to a pro rata charge that was applicable to more tenants in the prior year quarter. Approximately 75% of our leases have been converted to fixed CAM. Due to the conversion, the recovery ratio will fluctuate during the year as seasonal items impact the ratio. The decline in the current quarter is primarily the result of increased bad debt expense.

The decrease in management, development and leasing fees of \$1.5 million was mainly attributable to a decrease of \$0.5 million in each of development fees, leasing fees and financing fees primarily related to our joint ventures. We received one-time fees during the prior year quarter from Triangle Town Center and Gulf Coast Town Center.

Operating Expenses

Property operating expenses, including real estate taxes and maintenance and repairs, increased \$9.7 million as a result of \$8.1 million of expenses attributable to the New Properties and \$1.6 million related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases in bad debt expense and real estate tax expense.

The increase in depreciation and amortization expense of \$12.6 million resulted from an increase of \$13.3 million from the New Properties and a decrease of \$0.7 million from the Comparable Properties. The decrease attributable to the Comparable Properties is due to a reduction in amortization expense related to tenant allowances.

General and administrative expenses increased \$0.5 million primarily as a result of increases in state taxes. As a percentage of revenues, general and administrative expenses decreased to 4.1% for the second quarter of 2008 compared with 4.3% for the prior year quarter.

Other expenses increased \$1.7 million primarily due to increased expenses of \$1.1 million related to our subsidiary that provides security and maintenance services to third parties and due to an increase of \$0.6 million in abandoned projects expense.

Other Income and Expenses

Interest expense increased \$7.6 million primarily due to the debt on the New Properties, the refinancings that were completed in the prior year on the Comparable Properties and borrowings outstanding that were used to redeem our 8.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") in June 2007. While we experienced a decrease in the weighted average fixed and variable interest rates as compared to the second quarter of 2007, the total outstanding principal amounts have increased.

During the second quarter of 2008, we recognized gain on sales of real estate assets of \$4.3 million related to the sale of five parcels of land during the quarter and one parcel of land for which the gain had previously been deferred. The gain of \$2.7 million in the second quarter of 2007 related to the recognition of gain on one parcel of land for which the gain had previously been deferred.

Equity in earnings of unconsolidated affiliates decreased by \$1.3 million during the second quarter of 2008 compared to the prior year quarter, primarily due to higher interest expense on debt, the write-off of an above-market lease intangible and higher depreciation expense from the acquisition of new properties by CBL-TRS Joint Venture, LLC.

The income tax provision of \$3.8 million for the three months ended June 30, 2008 relates to the earnings of our taxable REIT subsidiary. The income tax provision increased by \$2.9 million primarily due to the significantly larger amount of gains in the current year period related to sales of outparcels and discontinued operations. The provision consists of current and deferred income taxes of \$2.2 million and \$1.6 million, respectively. During the three months ended June 30, 2007, we recorded an income tax provision of \$1.0 million, consisting of a provision for deferred income taxes of \$1.2 million, partially offset by a current tax benefit of \$0.2 million. We have cumulative share-based compensation deductions that can be used to offset the current income tax payable; therefore, the payable for current income taxes has been reduced to zero by recognizing a portion of the benefit of the cumulative share-based compensation deductions.

We recognized income from discontinued operations of \$3.3 million during the second quarter of 2008, compared to \$0.6 million during the second quarter of 2007. Discontinued operations for the three months ended June 30, 2008 reflect the operating results of 19 retail and office properties that meet the criteria for held-for-sale classification. These properties were originally acquired in the fourth quarter of 2007. Discontinued operations for the 2008 quarter also include the results of Chicopee Marketplace III, a community center located in Chicopee, MA. Discontinued operations for the three months ended June 30, 2007 reflect the results of operations of Twin Peaks Mall and The Shops at Pineda Ridge, plus the true up of estimated expenses to actual amounts for properties sold during previous years.

We recognized a gain on the sale of discontinued operations of \$3.1 million during the three months ended June 30, 2008. During this time, we sold five community centers and an office property, all located in Greensboro, NC, for an aggregate sales price of \$25.5 million and recognized a gain of \$1.6 million. We also sold Chicopee Marketplace III for an aggregate sales price of \$7.5 million and recognized a gain of \$1.5 million.

Preferred dividends decreased \$5.8 million during the three months ended June 30, 2008 due to the redemption of 2,000,000 shares of Series B Preferred Stock in June 2007. In connection with the 2007 redemption, we incurred a charge of \$3.6 million to write off direct issuance costs that were recorded as a reduction of additional paid-in-capital when the preferred stock was issued. This charge was recorded as additional preferred dividends.

Comparison of the Six Months Ended June 30, 2008 to the Six Months Ended June 30, 2007

Revenues

The \$50.4 million increase in rental revenues and tenant reimbursements was attributable to an increase of \$51.4 million from the New Properties, partially offset by a decrease of \$1.0 million from the Comparable Properties. The decrease in revenues of the Comparable Properties was driven by a decline in percentage rents of \$2.2 million, partially offset by an increase in tenant reimbursements of \$1.1 million. Percentage rents declined due to reduced sales. The current period tenant reimbursements reflect increases in reimbursements for real estate taxes and central utilities expenses which had increased in the latter part of the previous fiscal year.

Our cost recovery ratio declined to 96.4% for the six months ended June 30, 2008 from 100.7% for the prior-year period. The decline in the current period results primarily from increases of \$3.2 million in bad debt expense and \$1.0 million in snow removal expense.

Other revenues increased by \$1.6 million primarily due to increased income related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Property operating expenses, including real estate taxes and maintenance and repairs, increased \$20.3 million as a result of \$15.8 million of expenses attributable to the New Properties and \$4.5 million related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is attributable to increases in annual compensation for property management personnel, bad debt expense and real estate tax expense.

The increase in depreciation and amortization expense of \$29.6 million resulted from increases of \$25.3 million from the New Properties and \$4.3 million from the Comparable Properties. The increase attributable to the Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance and for the write-off of certain tenant allowances related to early lease terminations.

General and administrative expenses increased \$2.9 million primarily as a result of increases in payroll and due to certain benefits related to the retirement of our Senior Vice President and Director of Corporate Leasing during the first quarter of 2008. As a percentage of revenues, general and administrative expenses increased to 4.3% for the six months ended June 30, 2008 compared with 4.2% for the prior year period.

Other expenses increased \$5.1 million primarily due to increased expenses of \$2.8 million related to our subsidiary that provides security and maintenance services to third parties and due to an increase of \$2.3 million in abandoned projects expense.

Other Income and Expenses

Interest expense increased \$21.7 million primarily due to the debt on the New Properties, the refinancings that were completed in the prior year on the Comparable Properties and borrowings outstanding that were used to redeem our Series B preferred stock in June 2007. While we experienced a decrease in the weighted average fixed and variable interest rates as compared to the comparable period of 2007, the total outstanding principal amounts have increased.

During the six months ended June 30, 2008, we recognized gain on sales of real estate assets of \$7.3 million related to the sale of nine parcels of land during the period and one parcel of land for which the gain had previously been deferred. The gain of \$6.2 million in the six months ended June 30, 2007 related to the sale of seven land parcels and two parcels of land for which the gains had previously been deferred.

Equity in earnings of unconsolidated affiliates decreased by \$0.9 million during the six months ended June 30, 2008, primarily due to higher interest expense on debt, the write-off of an above-market lease intangible and higher depreciation expense from the acquisition of new properties by CBL-TRS Joint Venture, LLC. In addition, Gulf Coast Town Center has experienced losses due to interest and depreciation expense. These are partially offset by improvements at various of our other joint venture properties.

The income tax provision of \$4.2 million for the six months ended June 30, 2008 relates to the earnings of our taxable REIT subsidiary. The income tax provision increased by \$2.4 million primarily due to the significantly larger amount of gains in the current year period related to sales of outparcels and discontinued operations. The provision consists of current and deferred income taxes of \$3.7 million and \$0.5 million, respectively. During the six months ended June 30, 2007, we recorded an income tax provision of \$1.8 million, consisting of a provision for current and deferred income taxes of \$0.8 million and \$0.8 million, respectively. We have cumulative share-based

compensation deductions that can be used to offset the current income tax payable; therefore, the payable for current income taxes has been reduced to zero by recognizing a portion of the benefit of the cumulative share-based compensation deductions.

We recognized income from discontinued operations of \$4.2 million during the six months ended June 30, 2008, compared to \$0.7 million during the six months ended June 30, 2007. Discontinued operations for the six months ended June 30, 2008 reflect the operating results of 19 retail and office properties that meet the criteria for held-for-sale classification. These properties were originally acquired in the fourth quarter of 2007. Discontinued operations for 2008 also include the results of Chicopee Marketplace III, a community center located in Chicopee, MA. Discontinued operations for the three months ended June 30, 2007 reflect the results of operations of Twin Peaks Mall and The Shops at Pineda Ridge, plus the true up of estimated expenses to actual amounts for properties sold during previous years.

We recognized a gain on the sale of discontinued operations of \$3.1 million during the six months ended June 30, 2008, compared to a \$0.1 million loss during the six months ended June 30, 2007. During the six months ended June 30, 2008, we sold five community centers and an office property, all located in Greensboro, NC, for an aggregate sales price of \$25.5 million and recognized a gain of \$1.6 million. We also sold Chicopee Marketplace III for an aggregate sales price of \$7.5 million and recognized a gain of \$1.5 million.

Preferred dividends decreased \$8.0 million during the six months ended June 30, 2008 due to the redemption of 2,000,000 shares of Series B Preferred Stock in June 2007. In connection with the 2007 redemption, we incurred a charge of \$3.6 million to write off direct issuance costs that were recorded as a reduction of additional paid-in-capital when the preferred stock was issued. This charge was recorded as additional preferred dividends.

Operational Review

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

We classify our regional malls into two categories – malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven Towne Center in Southaven, MS, which opened in October 2005; Gulf Coast Town Center in Ft. Myers, FL, which opened in November 2005; and Alamance Crossing East in Burlington, NC which opened in August 2007.

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

	Six Months Ended June 30,	
	2008	2007
Malls	91.2%	91.8%
Associated centers	4.0%	4.2%
Community centers	1.2%	0.8%
Mortgages, office building and other	3.6%	3.2%

Mall store sales for the trailing twelve months ended June 30, 2008 on a comparable per square foot basis were \$341 per square foot compared with \$349 per square foot in the prior year period, a decline of 2.3%. Current year sales numbers have been impacted by the general weakness in the economy and a reduction in our mall occupancy.

Our portfolio occupancy, including centers acquired in 2007, is summarized in the following table:

	At June 30,	
	2008	2007
Total portfolio occupancy	91.4%	91.6%
Total mall portfolio	90.9%	91.7%
Stabilized malls	91.0%	92.2%
Non-stabilized malls	89.5%	82.1%
Associated centers	94.1%	92.3%
Community centers	92.4%	82.7%

Excluding the centers acquired in 2007, our total portfolio occupancy at June 30, 2008 was equal to the prior year at 91.6%

While bankruptcies and store closures have certainly increased, store closures through the second quarter of 2008 represent less than one percent of total annual revenues. Steve & Barry's, Linens n' Things, Goody's, The Disney Store, Whitehall and Friedman's are the major retailers that have declared bankruptcy recently. We are working diligently to minimize any resulting available occupancies and are pleased with our progress to date.

Our largest outstanding bankruptcy exposure is Steve & Barry's. We have 21 Steve & Barry's locations in our portfolio totaling 813,000 square feet and representing \$7.3 million of annual gross rents. At this time, we have not received any substantial information on the future status of these locations. We have written off accounts receivable of approximately \$0.6 million related to this tenant as of June 30, 2008.

Linens n' Things currently leases 13 locations from us representing approximately \$4.8 million of annual gross rents and 359,000 square feet. We have been advised that four of these locations will close, representing annual gross rents totaling approximately \$1.4 million and 108,000 square feet.

We have nine Goody's locations representing 315,000 square feet and approximately \$3.1 million in annual gross rents. We have been notified that Goody's will close five locations representing approximately \$1.9 million in annual gross rents. We currently have a replacement tenant for one of the locations.

We have 16 The Disney Stores representing 71,000 square feet and approximately \$2.9 million in annual gross rents. Eight of these stores are expected to remain open and we have replacement tenants for two of the eight closed stores representing 44,000 square feet and approximately \$1.8 million in annual gross rents.

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Whitehall currently leases 24 locations from us representing 27,000 square feet and approximately \$2.6 million in annual gross rents. We have not been notified of any store closures at this time.

We have 23 Friedman's stores representing 34,000 square feet and \$2.3 million in annual gross rents. Whitehall assumed six locations prior to their bankruptcy filing. We are in the process of leasing the remaining locations.

Leasing

During the second quarter of 2008 we signed a total of approximately 1.4 million square feet of leases including approximately 0.5 million square feet of development leases and approximately 0.9 million square feet of leases in our operating portfolio. The 0.9 million square feet in our operating portfolio was comprised of approximately 0.4 million square feet of new leases and approximately 0.5 million square feet of renewal leases. This compares with a total approximately 1.2 million square feet of leases signed in the second quarter of 2007, including approximately 0.3 million square feet of development leases and approximately 0.9 million square feet of leases in our operating portfolio. The 0.9 million square feet in our operating portfolio was comprised of approximately 0.4 million square feet of new leases and approximately 0.5 million square feet of renewal leases. To date, we have completed approximately 81% of our 2008 renewals.

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

	At June 30,	
	2008	2007
Stabilized malls	\$ 29.17	\$ 28.00
Non-stabilized malls	24.84	28.29
Associated centers	11.60	12.09
Community centers	14.05	15.09
Office	17.52	19.53

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Results from new and renewal leasing of comparable small shop space during the three and six months ended June 30, 2008 for spaces that were previously occupied are as follows:

	<u>Square Feet</u>	<u>Prior Gross Rent PSF</u>	<u>New Initial Gross Rent PSF</u>	<u>% Change Initial</u>	<u>New Average Gross Rent PSF (2)</u>	<u>% Change Average</u>
Quarter:						
All Property Types (1)	642,400	\$ 36.22	\$ 38.33	5.8%	\$ 39.61	9.4%
Stabilized malls	555,570	38.99	41.44	6.3%	42.89	10.0%
New leases	207,535	40.23	44.89	11.6%	47.45	17.9%
Renewal leases	348,035	38.26	39.39	3.0%	40.17	5.0%
Year to Date:						
All Property Types (1)	1,515,351	35.84	38.84	8.4%	39.88	11.3%
Stabilized malls	1,375,961	37.60	40.86	8.7%	41.98	11.6%
New leases	376,297	42.17	49.05	16.3%	51.47	22.1%
Renewal leases	999,664	35.88	37.78	5.3%	38.41	7.1%

(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.

LIQUIDITY AND CAPITAL RESOURCES

There was \$69.1 million of cash and cash equivalents as of June 30, 2008, an increase of \$3.3 million from December 31, 2007. Cash flows from operations are used to fund short-term liquidity and capital needs such as tenant construction allowances, capital expenditures and payments of dividends and distributions. For longer-term liquidity needs such as acquisitions, new developments, renovations and expansions, we typically rely on property specific mortgages (which are generally non-recourse), construction and term loans, revolving lines of credit, common stock, preferred stock, joint venture investments and a minority interest in the Operating Partnership.

Cash provided by operating activities during the six months ended June 30, 2008, decreased \$13.9 million to \$190.5 million from \$204.4 million during the six months ended June 30, 2007. The decrease was primarily attributable to higher interest expense incurred in the current year period, partially offset by operations of the New Properties.

Debt

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

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	<u>Consolidated</u>	<u>Minority Interests</u>	<u>Unconsolidated Affiliates</u>	<u>Total</u>	<u>Weighted Average Interest Rate (1)</u>
June 30, 2008:					
Fixed-rate debt:					
Non-recourse loans on operating properties	\$ 4,253,373	\$ (23,909)	\$ 409,702	\$ 4,639,166	5.89%
Credit facility (2)	400,000	—	—	400,000	4.45%
	<u>4,653,373</u>	<u>(23,909)</u>	<u>409,702</u>	<u>5,039,166</u>	<u>5.78%</u>
Total fixed-rate debt					
Variable-rate debt:					
Recourse term loans on operating properties	123,099	(910)	54,117	176,306	3.58%
Construction loans	117,040	—	10,648	127,688	4.87%
Land Loans	—	—	9,380	9,380	4.39%
Credit facilities	1,104,646	—	—	1,104,646	3.56%
	<u>1,344,785</u>	<u>(910)</u>	<u>74,145</u>	<u>1,418,020</u>	<u>3.59%</u>
Total variable-rate debt					
	<u>\$ 5,598,158</u>	<u>\$ (24,819)</u>	<u>\$ 483,847</u>	<u>\$ 6,457,186</u>	<u>5.30%</u>
Total					

	<u>Consolidated</u>	<u>Minority Interests</u>	<u>Unconsolidated Affiliates</u>	<u>Total</u>	<u>Weighted Average Interest Rate (1)</u>
December 31, 2007:					
Fixed-rate debt:					
Non-recourse loans on operating properties	\$ 4,293,515	\$ (24,236)	\$ 335,903	\$ 4,605,182	5.85%
Credit facility (2)	250,000	—	—	250,000	4.51%
	<u>4,543,515</u>	<u>(24,236)</u>	<u>335,903</u>	<u>4,855,182</u>	<u>5.79%</u>
Total fixed-rate debt					
Variable-rate debt:					
Recourse term loans on operating properties	81,767	—	44,104	125,871	6.19%
Construction loans	79,004	(2,517)	5,371	81,858	6.28%
Credit facilities	1,165,032	—	—	1,165,032	6.12%
	<u>1,325,803</u>	<u>(2,517)</u>	<u>49,475</u>	<u>1,372,761</u>	<u>6.14%</u>
Total variable-rate debt					
	<u>\$ 5,869,318</u>	<u>\$ (26,753)</u>	<u>\$ 385,378</u>	<u>\$ 6,227,943</u>	<u>5.87%</u>
Total					

- (1) Weighted average interest rate including the effect of debt premiums (discounts), but excluding amortization of deferred financing costs.
- (2) We have interest rate swaps on notional amounts totaling \$400,000 and \$250,000 as of June 30, 2008 and December 31, 2007, respectively, related to our largest secured credit facility to effectively fix the interest rate on that portion of the credit facility. Therefore, this amount is currently reflected in fixed-rate debt.

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We have an unsecured credit facility with total availability of \$560.0 million, of which \$407.0 million was outstanding as of June 30, 2008. The unsecured credit facility bears interest at LIBOR plus a margin of 0.75% to 1.20% based on our leverage ratio, as defined in the agreement. Additionally, we pay an annual fee of 0.1% of the amount of total availability under the unsecured credit facility. The credit facility matures in August 2008 and has three one-year extension options, which are at our election. We intend to exercise our first option to extend the maturity date of this facility to August 2009. At June 30, 2008, the outstanding borrowings under the unsecured credit facility had a weighted average interest rate of 3.38%.

We have four secured lines of credit with total availability of \$667.2 million, of which \$629.7 million was outstanding as of June 30, 2008. The secured credit facilities bear interest at a rate of LIBOR plus a margin ranging from 0.80% to 0.90%. Borrowings under the secured credit facilities had a weighted average interest rate of 3.32% at June 30, 2008.

In April 2008, we entered into a new unsecured term facility with total availability of \$228.0 million, of which the full amount was outstanding as of June 30, 2008. The unsecured term facility bears interest at LIBOR, plus a margin of 1.50% to 1.80% based on our leverage, as defined in the agreement to the facility. The agreement to the facility contains default provisions customary for transactions of this nature and also contains cross-default provisions for defaults of our \$560.0 million unsecured credit facility, \$525.0 million secured credit facility and our unsecured term facility used for the acquisition of certain properties from the Starmount Company or its affiliates. The facility matures in April 2011 and has two one-year extension options, which are at our election. At June 30, 2008, the outstanding borrowings under the unsecured term facility had a weighted average interest rate of 4.09%. The borrowings were used to pay down outstanding balances on our largest unsecured line of credit.

We have an unsecured term facility that was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. We completed the acquisition of these properties in February 2008 and, as a result, no further draws can be made against the facility. The unsecured 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 agreement to the facility contains default provisions customary for transactions of this nature and also contains cross-default provisions for defaults of our \$560.0 million unsecured credit facility, \$525.0 million secured credit facility and \$228.0 million unsecured term facility. The facility matures in November 2010 and has two one-year extension options, which are at our election. At June 30, 2008, the outstanding borrowings of \$239.9 million under this facility had a weighted average interest rate of 3.59%.

We also have secured and unsecured lines of credit with total availability of \$38.5 million that are used only to issue letters of credit. There was \$20.1 million outstanding under these lines at June 30, 2008.

On January 2, 2008, we entered into a \$150.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.353%. The swap was valued at \$(1.0) million as of June 30, 2008 and matures on December 30, 2009.

On December 31, 2007, we entered into a \$250.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.505%. The swap was valued at \$(2.1) million as of June 30, 2008 and matures on December 30, 2009.

The weighted average remaining term of our total debt, based on pro rata ownership share, including our pro rata share of unconsolidated affiliates and excluding minority investors' share of consolidated properties, was 4.1 years at June 30, 2008 and 4.6 years at December 31, 2007. The weighted average remaining term of our pro rata share of fixed-rate debt was 4.8 years and 5.3 years at June 30, 2008 and December 31, 2007, respectively. We have sixteen loans and two lines of credit totaling \$1,593.7 million that are scheduled to mature before June 30, 2009. Of the total amount scheduled to mature within the next twelve months, the two lines of credit account for \$932.0 million. The lines of credit represent our largest secured and unsecured facilities, as discussed above. The secured facility has a one-year extension option and the unsecured facility has three one-year extension options. Of the sixteen loans scheduled to mature within the next twelve months, four loans totaling \$103.3 million have extension options and five loans totaling \$251.6 million have term sheets and commitments for refinancing already in place. We anticipate completing the five new loans prior to the end of the third quarter of 2008. We expect to extend, retire or refinance our maturing loans.

As of June 30, 2008 and December 31, 2007, our share of consolidated and unconsolidated variable-rate debt represented 22.0% of our total share of debt. As of June 30, 2008, our share of consolidated and unconsolidated variable-rate debt represented 15.1% of our total market capitalization (see Equity below) as compared to 14.7% as of December 31, 2007.

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The secured and unsecured credit facilities contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. We were in compliance with all financial covenants and restrictions under our credit facilities at June 30, 2008.

Equity

During the six months ended June 30, 2008, we received \$0.8 million in proceeds from issuances of common stock related to exercises of employee stock options and from our dividend reinvestment plan. In addition, we paid dividends of \$83.1 million to holders of our common stock and our preferred stock, as well as \$67.9 million in distributions to the minority interest investors in our Operating Partnership and certain shopping center properties.

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

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

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. However, the ratio had increased as of June 30, 2008 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 equity) ratio was as follows at June 30, 2008 (in thousands, except stock prices):

	<u>Shares Outstanding</u>	<u>Stock Price (1)</u>	<u>Value</u>
Common stock and operating partnership units	116,960	\$ 22.84	\$ 2,671,366
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
			<hr/>
Total market equity			2,961,366
Company's share of total debt			6,457,186
			<hr/>
Total market capitalization			\$ 9,418,552
			<hr/>
Debt-to-total-market capitalization ratio			68.6%
			<hr/>

- (1) Stock price for common stock and operating partnership units equals the closing price of the common stock on June 30, 2008. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

Capital Expenditures

We expect to continue to have access to the capital resources necessary to expand and develop our business. Future development and acquisition activities will be undertaken as suitable opportunities arise. We obtain construction loans for new developments and major expansions and renovations of our existing properties. We do not expect to pursue these activities unless adequate sources of funding are available and a satisfactory budget with targeted returns on investment has been internally approved.

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

The following tables summarize our development projects as of June 30, 2008 (dollars in thousands):

Properties Opened Year-to-date

Property	Location	Total Project Square Feet	CBL's Share of		Date Opened	Initial Yield(a)
			Total Cost	Cost To Date		
Mall Expansions:						
Cary Towne Center - Mimi's Café	Cary, NC	6,674	\$ 2,243	\$ 1,069	Spring-08	15.0%
Coastal Grand - Ulta Cosmetics	Myrtle Beach, SC	10,000	1,494	1,494	Spring-08	8.7%
Coastal Grand - JCPenney (g)	Myrtle Beach, SC	103,395	NA	NA	Spring-08	NA
Brookfield Square - Claim Jumpers	Brookfield, WI	12,000	3,430	2,802	Summer-08	11.9%
Office:						
CBL Center II	Chattanooga, TN	74,598	17,120	12,580	January-08	8.6%
		206,667	\$ 24,287	\$ 17,945		

Announced Property Renovations and Redevelopments

Property	Location	Total Project Square Feet	CBL's Share of		Opening Date	Initial Yield(a)
			Total Cost	Cost To Date		
Redevelopments:						
Parkdale Mall - Former Dillard's (Phase I & II)	Beaumont, TX	70,220	\$ 29,266	\$ 14,723	Jan-08/Fall-08	6.6%
West County Center - Former Lord & Taylor	St. Louis, MO	90,687	34,149	14,371	Spring-09	9.9%
Mall Renovations:						
Brookfield Square	Brookfield, WI	1,132,984	18,100	13,100	Fall-08	NA
Georgia Square	Athens, GA	674,738	16,900	13,801	Spring-08	NA
		1,968,629	\$ 98,415	\$ 55,995		

NA = Not Applicable

Properties Under Development at June 30, 2008

Property	Location	Total Project Square Feet	CBL's Share of		Opening Date	Initial Yield(a)
			Total Cost	Cost To Date		
Mall Expansions:						
Asheville Mall - Barnes & Noble	Asheville, NC	40,000	\$ 11,684	\$ 2,617	Spring-09	5.3%
High Pointe Commons - Christmas Tree Shops	Harrisburg, PA	34,938	6,247	1,781	Fall-08	9.0%
Laurel Park Place - Food Court	Detroit, MI	30,051	4,802	1,661	Winter-08	11.2%
Oak Park Mall - Barnes & Noble	Kansas City, KS	35,539	9,619	4,111	Spring-09	6.9%
Southpark Mall - Foodcourt	Colonial Heights, VA	17,150	7,755	5,199	Summer-08	11.0%
Associated/Lifestyle Centers:						
Brookfield Square - Corner Development	Brookfield, WI	19,745	8,372	1,537	Winter-08	8.0%
Imperial Valley Commons (Phase I) (b)	El Centro, CA	610,966	11,471	22,568	Summer-10/Summer-11	8.1%
Mixed -Use Center:						
Pearland Town Center (Retail Portion)	Pearland, TX	692,604	150,015	124,732	Summer-08	7.8%
Pearland Town Center (Hotel Portion)	Pearland, TX	72,500	17,712	10,226	Summer-08	8.4%
Pearland Town Center (Residential Portion)	Pearland, TX	68,110	10,529	6,081	Summer-08	8.8%
Pearland Town Center (Office Portion)	Pearland, TX	51,560	9,385	248	Summer-08	8.7%
Community/Open-Air Centers:						
Alamance Crossing - Theater/Shops	Burlington, NC	82,997	18,882	11,342	Spring-08	8.4%
Hammock Landing (Phase I) (d)	West Melbourne, FL	446,369	38,648	36,174	Spring-09	7.5%
Settlers Ridge (b)	Robinson Township, PA	508,192	117,105	40,195	Summer-09	7.8%
Statesboro Crossing (e)	Statesboro, GA	160,238	26,206	16,732	Fall-08/Summer-10	8.3%
Summit Fair (c)	Lee's Summit, MO	482,051	22,000	22,000	Fall-08/Summer-09	9.8%
The Pavilion at Port Orange (d)	Port Orange, FL	490,132	71,836	36,094	Fall-09	7.3%
The Promenade (f)	D'Iberville, MS	696,762	86,161	36,964	Fall-09	8.5%
		4,539,904	\$ 628,429	\$ 380,262		

- (a) Pro forma initial yields may be lower than actual initial returns as they are reduced for management and development fees.
- (b) 60/40 Joint Venture. Amounts shown are 100% of total costs and cost to date as CBL has funded all costs to date. Cost to date may be gross of applicable reimbursements that have not yet been received.
- (c) CBL's interest represent 27% of project cost.
- (d) 50/50 Joint Venture.
- (e) 50/50 Joint Venture. Amounts shown are 100% of total costs and cost to date as CBL has funded all costs to date. Cost to date may be gross of applicable reimbursements that have not yet been received.

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- (f) 85/15 Joint Venture. Amounts shown are 100% of total costs and cost to date as CBL has funded all costs to date. Cost to date may be gross of applicable reimbursements that have not yet been received.
- (g) The Company owns the land and is ground leasing it to JCPenney, which owns the building and improvements. As of June 30, 2008, there were construction loans in place for the development costs of Pearland Town Center, Settler's Ridge, Statesboro Crossing, West County Center-former Lord & Taylor and The Pavilion at Port Orange. The remaining development costs will be funded with operating cash flows, availability on our credit facilities and new construction loans.

We have entered into a number of option agreements for the development of future open-air centers, lifestyle centers and community centers. Except for the projects discussed under Developments and Expansions above, we do not have any other material capital commitments as of June 30, 2008.

Acquisitions

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

Dispositions

We received \$9.8 million in net proceeds from the sales of nine parcels of land during the six months ended June 30, 2008.

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In April 2008, we completed the sale of five community centers located in Greensboro, NC to three separate buyers for an aggregate of \$24.3 million. In June 2008, we completed the sale of an office property for \$1.2 million. We recorded a gain of \$1.6 million during the three and six months ended June 30, 2008, attributable to these sales. Proceeds from the dispositions were used to retire a portion of the outstanding balance on the unsecured line of credit that was originally used to purchase the properties. These properties had been classified as held-for-sale prior to their disposition and their results are included in discontinued operations for three and six months ended June 30, 2008.

In June 2008, we sold Chicopee Marketplace III in Chicopee, MA to a third party for a sales price of \$7.5 million and recognized a gain on the sale of \$1.5 million. The results of operations of this property have been reclassified to discontinued operations for the three and six months ended June 30, 2008 and 2007.

Subsequent to June 30, 2008, we entered into a contract for the sale of New Garden Center, a community center located in Greensboro, NC for \$19.5 million. This center is reported in our real estate held for sale classification on our balance sheet as of June 30, 2008 and is included in discontinued operations in our consolidated statements of operations for the three and six months ended June 30, 2008. We expect the sale to close during August 2008.

Other Capital Expenditures

Including our share of unconsolidated affiliates' capital expenditures, we spent \$23.5 million during the six months ended June 30, 2008 for tenant allowances, which will generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were \$6.7 million for the six months ended June 30, 2008 and included \$2.3 million for resurfacing and improved lighting of parking lots, \$1.7 million for roof repairs and replacements and \$2.7 million for various other capital expenditures. Renovation expenditures were \$12.1 million for the six months ended June 30, 2008.

Deferred maintenance expenditures are generally billed to tenants as common area maintenance expense, and most are recovered over a 5 to 15-year period. Renovation expenditures are primarily for remodeling and upgrades of malls, of which approximately 30% is recovered from tenants over a 5 to 15-year period. We are recovering these costs through fixed amounts with annual increases or pro rata cost reimbursements based on the tenant's occupied space.

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

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 20 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 June 30, 2008 on the loans was \$27.8 million of which we have guaranteed \$7.5 million. We have recorded an obligation of \$0.3 million in our condensed consolidated balance sheet as of June 30, 2008 and December 31, 2007 to reflect the estimated fair value of the guaranty.

We have guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which we own a 45% interest, which owns Parkway Place in Huntsville, AL. The total amount outstanding at June 30, 2008 was \$53.2 million of which we have guaranteed \$26.6 million. The guaranty will expire when the related debt matures in June 2009. We did not record an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

We have guaranteed the performance of York Town Center, LP ("YTC"), an unconsolidated affiliate in which we own a 50% interest, under the terms of an agreement with a third party that 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 expires on December 31, 2020. The maximum guaranteed obligation was \$20.4 million as of June 30, 2008. We entered into an agreement with our joint venture partner under which the joint venture partner has agreed to reimburse us 50% of any amounts we are obligated to fund under the guaranty. We did not record an obligation for this guaranty because we determined that the fair value of the guaranty is not material.

Our guarantees and the related accounting are more fully described in Note 11 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. The following discussion describes our most critical accounting policies, which are those that are both important to the presentation of our financial condition and results of operations and that require significant judgment or use of complex estimates.

Revenue Recognition

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

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

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

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

Real Estate Assets

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

All acquired real estate assets are accounted for using the purchase method of accounting and, accordingly, the results of operations are included in the consolidated statements of operations from the respective dates of acquisition. The purchase price is allocated to (i) tangible assets, consisting of land, buildings and improvements, as if vacant, and tenant improvements and (ii) identifiable intangible assets and liabilities generally consisting of above- and below-market leases and in-place leases. We use estimates of fair value based on estimated cash flows, using appropriate discount rates, and other

valuation methods to allocate the purchase price to the acquired tangible and intangible assets. Liabilities assumed generally consist of mortgage debt on the real estate assets acquired. Assumed debt with a stated interest rate that is significantly different from market interest rates is recorded at its fair value based on estimated market interest rates at the date of acquisition.

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

Carrying Value of Long-Lived Assets

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations. No impairments were incurred during the six months ended June 30, 2008 and 2007.

Recent Accounting Pronouncements

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP EITF 03-6-1 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 EPS pursuant to the two-class method. FSP No. EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively. The adoption of FSP EITF 03-6-1 is not expected to have a material impact on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the source of accounting principles and the order in which to select the principles to be used in the preparation of financial statements presented in accordance with GAAP in the United States. The FASB concluded that the GAAP hierarchy should reside in the accounting literature because reporting entities are responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. SFAS No. 162 is effective sixty days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board Amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The adoption of SFAS No. 162 is not expected to have an impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. SFAS No. 161 requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format and provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. It also requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS No. 161 is effective for financial statements

issued for fiscal years and interim periods beginning after November 15, 2008. The adoption will not have an impact on our consolidated balance sheets and statements of operations.

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

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which changes certain aspects of current business combination accounting. SFAS No. 141(R) requires, among other things, that entities generally recognize 100 percent of the fair values of assets acquired, liabilities assumed and 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. SFAS No. 141(R) is effective for business combination transactions for which the acquisition date is in a fiscal year beginning on or after December 15, 2008. The adoption of SFAS No. 141(R) is not expected to have a material impact on our consolidated financial statements.

Impact of Inflation

During 2007, the inflation rate rose to 4.1%, primarily related to increases in food and energy costs. Substantially all tenant leases do, however, contain provisions designed to mitigate the impact of inflation. These provisions include clauses enabling us to receive percentage rent based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than 10 years, which may provide us the opportunity to replace existing leases with new leases at higher base and/or percentage rent if rents of the existing leases are below the then existing market rate. Most of the leases require the tenants to pay their share of, or a fixed amount subject to annual increases for, operating expenses, including common area maintenance, real estate taxes, insurance and certain capital expenditures, which reduces our exposure to increases in costs and operating expenses resulting from inflation.

Funds From Operations

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

comparable to such other REITs.

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

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

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

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

FFO of the Operating Partnership increased 9.9% to \$94.4 million for the three months ended June 30, 2008 from \$85.9 million for the same period in 2007. FFO of the Operating Partnership increased 6.0% for the six months ended June 30, 2008 to \$187.3 million compared to \$176.7 million for the same period in 2007.

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

	2008	2007	2008	2007
Net income available to common shareholders	\$ 9,667	\$ 11,465	\$ 15,838	\$ 28,866
Minority interest in earnings of operating partnership	7,385	9,035	12,127	22,598
Depreciation and amortization expense of:				
Consolidated properties	73,064	60,491	146,680	117,099
Unconsolidated affiliates	6,694	3,621	13,371	7,125
Discontinued operations	117	474	2357	934
Non-real estate assets	(259)	(234)	(502)	(462)
Minority investors' share of depreciation and amortization	(303)	1,096	(651)	490
(Gain) loss on discontinued operations	(3112)	—	(3112)	55
Income tax provision on disposal of discontinued operations	1,183		1,183	
Funds from operations of the operating partnership	94,436	85,948	187,291	176,705
Percentage allocable to Company shareholders (1)	56.58%	56.29%	56.56%	56.24%
Funds from operations allocable to Company shareholders	\$ 53,432	\$ 48,380	\$ 105,932	\$ 99,379

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

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk on some of our debt obligations. Our interest rate risk management policy requires that we use derivative financial instruments for hedging purposes only and that, if we do enter into a derivative financial instrument, the derivative financial instrument be entered into only with major financial institutions based on their credit ratings and other factors.

On January 2, 2008, we entered into a \$150.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. This interest rate swap hedges the risk of changes in cash flows on our designated forecasted interest payments attributable to changes in 1-month LIBOR, the designated benchmark interest rate being hedged, thereby reducing exposure to variability in cash flows relating to interest payments on the variable-rate debt. The interest rate swap fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.353%. The swap was valued at \$(1.0) million as of June 30, 2008 and matures on December 30, 2009.

On December 31, 2007, we entered into a \$250.0 million pay fixed/receive variable interest rate swap agreement to hedge the interest rate risk exposure on an amount of borrowings on our largest secured credit facility equal to the swap notional amount. The interest rate swap effectively fixes the interest payments on the portion of debt principal corresponding to the swap notional amount at 4.505%. The swap was valued at \$(2.1) million as of June 30, 2008 and matures on December 30, 2009.

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at June 30, 2008, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately \$7.1 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 June 30, 2008, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$85.6 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$88.2 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 Controls over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

None

ITEM 1A. Risk Factors

The following information updates the information disclosed in "Item 1A – Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2007, by providing information that is current as of June 30, 2008:

RISKS RELATED TO REAL ESTATE INVESTMENTS

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

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

- National, regional and local economic climates, which may be negatively impacted by loss of jobs, production slowdowns, adverse weather conditions, natural disasters, declines in residential real estate activity and other factors which tend to reduce consumer spending on retail goods.
- Local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants.
- Increased operating costs, such as increases in repairs and maintenance, real property taxes,

utility rates and insurance premiums.

- Delays or cost increases associated with the opening of new or renovated properties, due to higher than estimated construction costs, cost overruns, delays in receiving zoning, occupancy or other governmental approvals, lack of availability of materials and labor, weather conditions, and similar factors which may be outside our ability to control.
- Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.
- The willingness and ability of the shopping center's owner to provide capable management and maintenance services.
- The convenience and quality of competing retail properties and other retailing options, such as the Internet.

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

- Adverse changes in governmental regulations, such as local zoning and land use laws, environmental regulations or local tax structures that could inhibit our ability to proceed with development, expansion, or renovation activities that otherwise would be beneficial to our Properties.
- Potential environmental or other legal liabilities that reduce the amount of funds available to us for investment in our Properties.
- Any inability to obtain sufficient financing (including both construction financing and permanent debt), or the inability to obtain such financing on commercially favorable terms, to fund new developments, acquisitions, and property expansions and renovations which otherwise would benefit our Properties.
- An environment of rising interest rates, which could negatively impact both the value of commercial real estate such as retail shopping centers and the overall retail climate.

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

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

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

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

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

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

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

We own partial interests in 22 malls, nine associated centers, five community centers, eight office buildings. We manage all but three of these properties. Governor's Square, Governor's Plaza and Kentucky Oaks are all owned by joint ventures and are managed by a property manager that is affiliated with the third party managing general partner. The property manager performs the property management and leasing services for these three Properties and receives a fee for its services. The managing partner of the Properties controls the cash flow distributions, although our approval is required for certain major decisions.

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

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

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

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of petroleum, certain hazardous or toxic substances on, under or in such real estate. Such laws typically impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances. The costs of remediation or removal of such substances may be substantial. The presence of such substances, or the failure to promptly remove or remediate such substances, may adversely affect the owner's or operator's ability to lease or sell such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, regardless of whether such facility is owned or operated by such person. Certain laws also impose requirements on conditions and activities that may affect the environment or the impact of the environment on human health. Failure to comply with such requirements could result in the imposition of monetary penalties (in addition to the costs to achieve compliance) and potential liabilities to third parties. Among other things, certain laws require abatement or removal of friable and certain non-friable asbestos-containing materials in the event of demolition or certain renovations or remodeling. Certain laws regarding asbestos-containing materials require building owners and lessees, among other things, to notify and train certain employees working in areas known or presumed to contain asbestos-containing materials. Certain laws also impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with asbestos-containing materials. In connection with the ownership and operation of properties, we may be potentially liable for all or a portion of such costs or claims.

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

We believe that our Properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. We have recorded in our financial statements a liability of \$2.6 million related to potential future asbestos abatement activities at our Properties which are not expected to have a material impact on our financial condition or results of operations. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of our present or former Properties. Therefore, we have not recorded any liability related to hazardous or toxic substances. Nevertheless, it is possible that the environmental assessments available to us do not reveal all potential environmental liabilities. It is also possible that subsequent investigations will identify material contamination, that adverse environmental conditions have arisen subsequent to the

performance of the environmental assessments, or that there are material environmental liabilities of which management is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties has not been or will not be affected by tenants and occupants of the Properties, by the condition of properties in the vicinity of the Properties or by third parties unrelated to us, the Operating Partnership or the relevant Property's partnership.

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

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

- Discount shopping centers
- Outlet malls
- Wholesale clubs
- Direct mail
- Telemarketing
- Television shopping networks
- Shopping via the Internet

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

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

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

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

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

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

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

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

We carry a comprehensive blanket policy for general liability, property casualty (including fire, earthquake and flood) and rental loss covering all of the Properties, with specifications and insured limits customarily carried for similar properties. However, even insured losses could result in a serious disruption to our business and delay our receipt of revenue. Furthermore, there are some types of losses, including lease and other contract claims, as well as some types of environmental losses, that generally are not insured or are not economically insurable. If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a Property, as well as the anticipated future revenue from the Property. If this happens, we, or the applicable Property's partnership, may still remain obligated for any mortgage debt or other financial obligations related to the Property.

The general liability and property casualty insurance policies on our Properties currently include coverage for loss resulting from acts of terrorism, whether foreign or domestic. While we believe that the Properties are adequately insured in accordance with industry standards, the cost of general liability and property casualty insurance policies that include coverage for acts of terrorism has risen significantly post-September 11, 2001. The cost of coverage for acts of terrorism is currently mitigated by the Terrorism Risk Insurance Act ("TRIA"). If TRIA is not extended beyond its current expiration date of December 31, 2014, we may incur higher insurance costs and greater difficulty in obtaining insurance that covers terrorist-related damages. Our tenants may also experience similar difficulties.

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

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

RISKS RELATED TO GEOGRAPHIC CONCENTRATIONS

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

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 49.3% of our total revenues from all Properties for the six months ended June 30, 2008 and currently include 44 malls, 20 associated centers, 6 community centers and 19 office buildings. Our Properties located in the midwestern United States accounted for approximately 33.2% of our total revenues from all Properties for the six months ended June 30, 2008 and currently include 26 malls and 4 associated centers. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. We will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

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

Our Properties located in the St. Louis, MO, Nashville, TN, Pittsburgh, PA, Kansas City (Overland Park), KS and Madison, WI metropolitan areas accounted for 5.9%, 4.6%, 3.7%, 3.2% and 2.7%, respectively, of our total revenues for the six months ended June 30, 2008, respectively. No other market accounted for more than 2.7% of our total revenues for the six months ended June 30, 2008. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

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

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

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

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

our stockholders.

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

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

RISKS RELATED TO FEDERAL INCOME TAX LAWS

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

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

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

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

If in any taxable year we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to federal income tax on our taxable income at regular corporate rates. Unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, the funds available for distribution to our stockholders would be reduced for each of the years involved. This would likely have a significant adverse effect on the value of our securities and our ability to raise

additional capital. In addition, we would no longer be required to make distributions to our stockholders. We currently intend to operate in a manner designed to qualify as a REIT. However, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors, with the consent of a majority of our stockholders, to revoke the REIT election.

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

To maintain our status as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. Our certificate of incorporation generally prohibits ownership of more than 6% of the outstanding shares of our capital stock by any single stockholder determined by vote, value or number of shares (other than Charles Lebovitz, our Chief Executive Officer, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). The affirmative vote of 66 $\frac{2}{3}$ % of our outstanding voting stock is required to amend this provision.

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

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

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

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

- The Ownership Limit – As described above, to maintain our status as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. Our certificate of incorporation generally prohibits ownership of more than 6% of the outstanding shares of our capital stock by any single stockholder determined by value (other than Charles Lebovitz, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). In addition to preserving our status as a REIT, the ownership limit may have the effect of precluding an acquisition of control of us without the approval of our board of directors.
- Classified Board of Directors; Removal for Cause – Our certificate of incorporation provides for a board of directors divided into three classes, with one class elected each year to serve for a three-year term. As a result, at least two annual meetings of stockholders may be required for the stockholders to change a majority of our board of directors. In addition, our stockholders can only remove directors for cause and only by a vote of 75% of the outstanding voting stock. Collectively, these provisions make it more difficult to change the composition of our board of directors and may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts.
- Advance Notice Requirements for Stockholder Proposals – Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures generally require advance written notice of any such proposals, containing prescribed information, to be given to our Secretary at our principal executive offices not less than 60 days nor more than 90 days prior to the meeting.
- Vote Required to Amend Bylaws – A vote of $66\frac{2}{3}\%$ of the outstanding voting stock is necessary to amend our bylaws.
- Stockholder Rights Plan – We have a stockholder rights plan, which may delay, deter or prevent a change in control unless the acquirer negotiates with our board of directors and the board of directors approves the transaction. The rights plan generally would be triggered if an entity, group or person acquires (or announces a plan to acquire) 15% or more of our common stock. If such transaction is not approved by our board of directors, the effect of the stockholder rights plan would be to allow our stockholders to purchase shares of our common stock, or the common stock or other merger consideration paid by the acquiring entity, at an effective 50% discount.

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

(a) before that person became an interested holder, our board of directors approved the transaction in which the interested holder became an interested stockholder or approved the business combination;

(b) upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns 85% of our voting stock outstanding at the time the transaction commenced (excluding stock held by directors who are also officers and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or

(c) following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock not owned by the interested stockholder.

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

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

- Tax Consequences of the Sale or Refinancing of Certain Properties – Since certain of our Properties had unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such Properties immediately prior to their contribution to the Operating Partnership, a taxable sale of any such Properties, or a significant reduction in the debt encumbering such Properties, could cause adverse tax consequences to the members of our senior management who owned interests in our predecessor entities. As a result, members of our senior management might not favor a sale of a property or a significant reduction in debt even though such a sale or reduction could be beneficial to us and the Operating Partnership. Our bylaws provide that any decision relating to the potential sale of any property that would result in a disproportionately higher taxable income for members of our senior management than for us and our stockholders, or that would result in a significant reduction in such property’s debt, must be made by a majority of the independent directors of the board of directors. The Operating Partnership is required, in the case of such a sale, to distribute to its partners, at a minimum, all of the net cash proceeds from such sale up to an amount reasonably believed necessary to enable members of our senior management to pay any income tax liability arising from such sale.

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

ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds

- (c) The following table presents information with respect to repurchases of common stock made by us during the three months ended June 30, 2008:

Period	Total Numbers of Shares Purchased	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
April 1–30, 2008	—	\$ —	—	—
May 1–31, 2008	19,197	\$ 26.42	—	—
June 1–30, 2008	106	\$ 25.18	—	—
Total	19,303	\$ 26.41	—	—

- (1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax withholding requirements related to the vesting of shares of restricted stock.
- (2) Represents the market value of the common stock on the vesting date for the shares of restricted stock, which was used to determine the number of shares required to be surrendered to satisfy income tax withholding requirements.

ITEM 3: Defaults Upon Senior Securities

None

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

We held our Annual Meeting of Shareholders on May 5, 2008. The matters that were submitted to a vote of shareholders and the related results are as follow:

1. The following directors were re-elected to three-year terms that expire in 2011:
 - Charles B. Lebovitz (60,466,969 votes for and 1,365,257 votes against or withheld),
 - Claude M. Ballard (60,391,750 votes for and 1,440,476 votes against or withheld), and

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- Gary L. Bryenton (60,442,703 votes for and 1,389,523 votes against or withheld).
- Leo Fields (60,209,943 votes for and 1,622,283 votes against or withheld).

The following additional directors are presently serving three-year terms, which continue beyond the 2008 Annual Meeting of Shareholders:

- John N. Foy (term expires in 2009),
 - Martin J. Cleary (term expires in 2009),
 - Matthew S. Dominski (term expires in 2009),
 - Stephen D. Lebovitz (term expires in 2010), and
 - Winston W. Walker (term expires in 2010).
2. Deloitte & Touche was ratified as our independent public accountant for our fiscal year ending December 31, 2008 (61,251,702 votes for and 580,524 votes against or abstentions).

ITEM 5: Other Information

(a) On April 22, 2008 (the "Effective Date"), CBL & Associates Limited Partnership, as Borrower, and CBL & Associates Properties, Inc., as Parent (collectively the "Company"), entered into an Unsecured Term Loan Agreement (the "Agreement") with Wells Fargo Bank, National Association, as administrative agent and lead arranger ("Wells Fargo"), Accrual Capital Corporation, as syndication agent, U.S. Bank National Association and Fifth Third Bank. On April 30, 2008 and May 7, 2008, Raymond James Bank FSB and Regions Bank, respectively, entered into Joinders in Agreement with the Company and Wells Fargo. Under the Agreement, the Company may borrow up to a total of \$228.0 million. The Company received advances of \$165.0 million on April 22, 2008, \$20.0 million on April 30, 2008, and \$43.0 million on May 7, 2008. Any repayments of the outstanding balance shall constitute a dollar for dollar reduction in the commitments amount of the unsecured term loan.

Under the terms of the Agreement, the borrowings mature on April 22, 2011 (the "Maturity Date"). The Company can extend the Maturity Date by up to two periods of one year each and must pay an extension fee equal to fifteen basis points (0.15%) of the aggregate commitment amount. The advances will bear interest at the London Interbank Offered Rate, as defined in the Agreement, plus a margin ranging from one hundred fifty basis points (1.50%) to one hundred eighty basis points (1.80%) based on the Company's leverage ratio, as defined in the Agreement. All accrued and unpaid interest on the outstanding principal amount of each advance shall be payable (i) monthly in arrears on the first day of each month, commencing with the first full calendar month occurring after the Effective Date and (ii) on any date on which the principal balance of such advance is due and payable in full. The Agreement permits the Company to make voluntary prepayments of the advances prior to the Maturity Date without penalty.

The Agreement contains default provisions customary for transactions of this nature and also contains cross-default provisions for: (i) defaults of the Company under the Amended and Restated Unsecured Credit Agreement by and among the Company, and Wells Fargo Bank, National Association, et al., dated as of August 22, 2006 (disclosed by the Registrant in, and included as an exhibit to, the Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on August 25, 2006), (ii) defaults of the Company under the Fifth Amendment to Sixth Amended and Restated Credit Agreement between CBL & Associates Limited Partnership and Wells Fargo Bank, National Association, et al., dated as of September 24, 2007 (included as an exhibit to the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2007) and (iii) defaults of the Company under the Unsecured Credit Agreement by and among the Company, Wells Fargo Bank, National Association, et al., dated as of November 30, 2007 (disclosed by the Registrant in the Current Report on Form 8-K filed with the SEC on December 6, 2007, and included as an exhibit to the Annual Report on Form 10-K/A filed with the SEC on March 3, 2008).

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: August 8, 2008

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.18.9	Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore/Sebring Limited Partnership and First Tennessee Bank National Association, dated April 30, 2008.
10.24.1	Unsecured Term Loan Agreement, dated April 22, 2008, by and among CBL & Associates Limited Partnership, as Borrower, and CBL & Associates Properties, Inc., as Parent, Wells Fargo Bank, National Association, as Administrative Agent and Lead Arranger, Accrual Capital Corporation, as Syndication Agent, U.S. Bank National Association, and Fifth Third Bank.
10.24.2	Joinder in Unsecured Term Loan Agreement, dated April 30, 2008, by and among CBL & Associates Limited Partnership, as Borrower, and CBL & Associates Properties, Inc., as Parent, Wells Fargo Bank, National Association, as Administrative Agent and Lead Arranger, and Raymond James Bank FSB.
10.24.3	Joinder in Unsecured Term Loan Agreement, dated May 7, 2008, by and among CBL & Associates Limited Partnership, as Borrower, and CBL & Associates Properties, Inc., as Parent, Wells Fargo Bank, National Association, as Administrative Agent and Lead Arranger, and Regions Bank.
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.