

CBL & ASSOCIATES PROPERTIES INC

Form 10-Q

August 09, 2012

Table of Contents

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

Or

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-12494

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

62-1545718

(I.R.S. Employer Identification Number)

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

(Address of principal executive office, including zip code)

423.855.0001

(Registrant's telephone number, including area code)

N/A

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

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

Yes x

No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x

No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ x

Accelerated filer ☐ o

Non-accelerated filer ☐ o (Do not check if smaller reporting company) Smaller Reporting Company ☐ o

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

Yes ☐ o

No ☒ x

As of August 3, 2012, there were 158,562,211 shares of common stock, par value \$0.01 per share, outstanding.

Table of Contents

CBL & Associates Properties, Inc.

Table of Contents

PART I	FINANCIAL INFORMATION	3
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations for the Three and Six Month Periods Ended June 30, 2012 and 2011</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Six Month Periods Ended June 30, 2012 and 2011</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Equity for the Six Months Ended June 30, 2012 and 2011</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011</u>	<u>3</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>4</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>5</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>27</u>
PART II	OTHER INFORMATION	27
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>27</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>28</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>41</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>41</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>41</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>41</u>
	<u>SIGNATURE</u>	<u>42</u>

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1: Financial Statements

CBL & Associates Properties, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

ASSETS	June 30, 2012	December 31, 2011
Real estate assets:		
Land	\$ 888,084	\$ 851,303
Buildings and improvements	7,020,394	6,777,776
	7,908,478	7,629,079
Accumulated depreciation	(1,873,310)	(1,762,149)
	6,035,168	5,866,930
Held for sale	—	14,033
Developments in progress	139,500	124,707
Net investment in real estate assets	6,174,668	6,005,670
Cash and cash equivalents	71,537	56,092
Receivables:		
Tenant, net of allowance for doubtful accounts of \$2,051 and \$1,760 in 2012 and 2011, respectively	71,520	74,160
Other, net of allowance for doubtful accounts of \$1,248 and \$1,400 in 2012 and 2011, respectively	8,156	11,592
Mortgage and other notes receivable	25,442	34,239
Investments in unconsolidated affiliates	304,663	304,710
Intangible lease assets and other assets	257,625	232,965
	\$6,913,611	\$6,719,428
 LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgage and other indebtedness	\$4,693,208	\$4,489,355
Accounts payable and accrued liabilities	323,470	303,577
Total liabilities	5,016,678	4,792,932
Commitments and contingencies (Notes 5 and 11)		
Redeemable noncontrolling interests:		
Redeemable noncontrolling partnership interests	38,218	32,271
Redeemable noncontrolling preferred joint venture interest	423,777	423,834
Total redeemable noncontrolling interests	461,995	456,105
Shareholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
7.75% Series C Cumulative Redeemable Preferred Stock, 460,000 shares outstanding	5	5
7.375% Series D Cumulative Redeemable Preferred Stock, 1,815,000 shares outstanding	18	18
Common stock, \$.01 par value, 350,000,000 shares authorized, 158,560,145 and 148,364,037 issued and	1,586	1,484

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

outstanding in 2012 and 2011, respectively

Additional paid-in capital	1,697,943	1,657,927
Accumulated other comprehensive income	4,146	3,425
Dividends in excess of cumulative earnings	(432,908)	(399,581)
Total shareholders' equity	1,270,790	1,263,278
Noncontrolling interests	164,148	207,113
Total equity	1,434,938	1,470,391
	\$6,913,611	\$6,719,428

The accompanying notes are an integral part of these condensed consolidated statements.

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,	
	2012	2011	2012	2011
REVENUES:				
Minimum rents	\$ 167,609	\$ 168,288	\$ 328,397	\$ 339,202
Percentage rents	1,756	2,062	5,222	5,802
Other rents	4,683	4,582	9,996	9,590
Tenant reimbursements	71,732	77,022	142,219	153,832
Management, development and leasing fees	1,966	1,568	4,435	2,905
Other	7,852	8,597	16,001	17,957
Total revenues	255,598	262,119	506,270	529,288
OPERATING EXPENSES:				
Property operating	36,562	35,984	74,923	76,143
Depreciation and amortization	68,126	71,839	131,283	139,538
Real estate taxes	23,756	25,124	46,602	49,450
Maintenance and repairs	13,419	14,044	26,575	30,052
General and administrative	11,993	11,241	25,793	23,041
Other	6,559	7,046	13,317	15,349
Total operating expenses	160,415	165,278	318,493	333,573
Income from operations	95,183	96,841	187,777	195,715
Interest and other income	1,298	612	2,373	1,157
Interest expense	(61,400)	(70,914)	(121,460)	(139,127)
Gain on extinguishment of debt	—	—	—	581
Gain (loss) on sales of real estate assets	2,543	(97)	3,130	712
Equity in earnings of unconsolidated affiliates	2,073	1,455	3,339	3,233
Income tax (provision) benefit	(267)	4,653	(39)	6,423
Income from continuing operations	39,430	32,550	75,120	68,694
Operating income (loss) from discontinued operations	(21)	(3,156)	(71)	24,594
Gain (loss) on discontinued operations	(16)	138	895	152
Net income	39,393	29,532	75,944	93,440
Net income attributable to noncontrolling interests in:				
Operating partnership	(5,197)	(2,752)	(9,559)	(13,203)
Other consolidated subsidiaries	(4,805)	(6,404)	(10,945)	(12,542)
Net income attributable to the Company	29,391	20,376	55,440	67,695
Preferred dividends	(10,594)	(10,594)	(21,188)	(21,188)
Net income attributable to common shareholders	\$ 18,797	\$ 9,782	\$ 34,252	\$ 46,507

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Basic per share data attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$0.12	\$0.08	\$0.22	\$0.18
Discontinued operations	—	(0.01)	0.01	0.13
Net income attributable to common shareholders	\$0.12	\$0.07	\$0.23	\$0.31
Weighted average common shares outstanding	150,913	148,356	149,704	148,214
Diluted earnings per share data attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$0.12	\$0.08	\$0.22	\$0.18
Discontinued operations	—	(0.01)	0.01	0.13
Net income attributable to common shareholders	\$0.12	\$0.07	\$0.23	\$0.31
Weighted average common and potential dilutive common shares outstanding	150,954	148,398	149,746	148,262
Amounts attributable to common shareholders:				
Income from continuing operations, net of preferred dividends	\$18,826	\$12,134	\$33,603	\$27,233
Discontinued operations	(29)	(2,352)	649	19,274
Net income attributable to common shareholders	\$18,797	\$9,782	\$34,252	\$46,507
Dividends declared per common share	\$0.22	\$0.21	\$0.44	\$0.42

The accompanying notes are an integral part of these condensed consolidated statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$39,393	\$29,532	\$75,944	\$93,440
Other comprehensive income (loss):				
Unrealized holding gain on available-for-sale securities	61	474	1,579	1,807
Reclassification to net income of realized (gain) loss on available-for-sale securities	(160)	—	(160)	22
Unrealized loss on hedging instruments	(765)	(2,634)	(481)	(2,072)
Total other comprehensive income (loss)	(864)	(2,160)	938	(243)
Comprehensive income	38,529	27,372	76,882	93,197

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Comprehensive income attributable to noncontrolling interests
in:

Operating partnership	(5,019)	(2,275)	(9,776)	(13,150)
Other consolidated subsidiaries	(4,805)	(6,404)	(10,945)	(12,542)
Comprehensive income attributable to the Company	\$28,705	\$18,693	\$56,161	\$67,505

The accompanying notes are an integral part of these condensed consolidated statements.

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

	Equity Shareholders' Equity								
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2011	\$ 34,379	\$23	\$1,479	\$1,657,507	\$ 7,855	\$(366,526)	\$ 1,300,338	\$ 223,605	\$1,523,943
Net income	2,634	—	—	—	—	67,695	67,695	12,875	80,570
Other comprehensive loss	(2)	—	—	—	(190)	—	(190)	(51)	(241)
Conversion of operating partnership special common units to shares of common stock	—	—	1	728	—	—	729	(729)	—
Dividends declared - common stock	—	—	—	—	—	(62,303)	(62,303)	—	(62,303)
Dividends declared - preferred stock	—	—	—	—	—	(21,188)	(21,188)	—	(21,188)
Issuance of common stock and restricted common stock	—	—	2	190	—	—	192	—	192
Cancellation of restricted common stock	—	—	—	(184)	—	—	(184)	—	(184)
Exercise of stock options	—	—	2	1,952	—	—	1,954	—	1,954
Accrual under deferred compensation arrangements	—	—	—	27	—	—	27	—	27

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Amortization of deferred compensation	—	—	—	1,376	—	—	1,376	—	1,376
Distributions to noncontrolling interests	(4,511)	—	—	—	—	—	—	(22,086)	(22,086)
Adjustment for noncontrolling interests	1,620	—	—	(2,261)	—	—	(2,261)	641	(1,620)
Adjustment to record redeemable noncontrolling interests at redemption value	1,186	—	—	(1,186)	—	—	(1,186)	—	(1,186)
Balance, June 30, 2011	\$ 35,306	\$ 23	\$ 1,484	\$ 1,658,149	\$ 7,665	\$ (382,322)	\$ 1,284,999	\$ 214,255	\$ 1,499,254

The accompanying notes are an integral part of these condensed consolidated statements.

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

	Equity Shareholders' Equity							Noncontrolling Interests	Total Equity
	Redeemable Noncontrolling Partnership Interests	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Dividends in Excess of Cumulative Earnings	Total Shareholders' Equity		
Balance, January 1, 2012	\$ 32,271	\$ 23	\$ 1,484	\$ 1,657,927	\$ 3,425	\$ (399,581)	\$ 1,263,278	\$ 207,113	\$ 1,470,391
Net income	1,620	—	—	—	—	55,440	55,440	8,595	64,035
Other comprehensive income	8	—	—	—	721	—	721	209	930
Conversion of operating partnership common units to shares of common stock	—	—	98	45,599	—	—	45,697	(45,697)	—
Redemption of operating partnership common units	—	—	—	—	—	—	—	(9,836)	(9,836)
Dividends declared -	—	—	—	—	—	(67,579)	(67,579)	—	(67,579)

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

common stock									
Dividends									
declared -	—	—	—	—	—	(21,188)	(21,188)	—	(21,188)
preferred stock									
Issuance of									
common stock	—	—	2	327	—	—	329	—	329
and restricted									
common stock									
Cancellation of									
restricted	—	—	—	(255)	—	—	(255)	—	(255)
common stock									
Exercise of stock	—	—	2	4,432	—	—	4,434	—	4,434
options									
Accrual under									
deferred	—	—	—	29	—	—	29	—	29
compensation									
arrangements									
Amortization of									
deferred	—	—	—	1,496	—	—	1,496	—	1,496
compensation									
Contributions									
from									
noncontrolling	—	—	—	—	—	—	—	4,042	4,042
interests									
Distributions to									
noncontrolling	(4,536)	—	—	—	—	—	—	(17,540)	(17,540)
interests									
Adjustment for									
noncontrolling	1,485	—	—	(4,242)	—	—	(4,242)	2,757	(1,485)
interests									
Adjustment to									
record									
redeemable									
noncontrolling	7,370	—	—	(7,370)	—	—	(7,370)	—	(7,370)
interests at									
redemption value									
Acquire									
controlling									
interest in	—	—	—	—	—	—	—	14,505	14,505
shopping center									
property									
Balance, June 30,	\$ 38,218	\$ 23	\$ 1,586	\$ 1,697,943	\$ 4,146	\$ (432,908)	\$ 1,270,790	\$ 164,148	\$ 1,434,938
2012									

The accompanying notes are an integral part of these condensed consolidated statements.

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

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$75,944	\$93,440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,399	140,178
Net amortization of deferred finance costs and debt premiums	3,787	6,088
Net amortization of intangible lease assets and liabilities	(147)	(527)
Gain on sales of real estate assets	(3,130)	(712)
Gain on sale of discontinued operations	(895)	(152)
Write-off of development projects	(123)	51
Share-based compensation expense	1,739	1,502
Net realized (gain) loss on sale of available-for-sale securities	(160)	22
Write-down of mortgage and other notes receivable	—	1,500
Loss on impairment of real estate from discontinued operations	293	6,696
Gain on extinguishment of debt	—	(581)
Gain on extinguishment of debt from discontinued operations	—	(31,434)
Equity in earnings of unconsolidated affiliates	(3,339)	(3,233)
Distributions of earnings from unconsolidated affiliates	7,314	3,922
Provision for doubtful accounts	1,331	1,542
Change in deferred tax accounts	2,316	(4,926)
Changes in:		
Tenant and other receivables	5,745	3,438
Other assets	2,923	758
Accounts payable and accrued liabilities	(5,207)	(19,977)
Net cash provided by operating activities	219,790	197,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(88,890)	(79,282)
Acquisition of real estate assets	(61,419)	—
Additions to restricted cash	(1,270)	(10,203)
Proceeds from sales of real estate assets	38,161	10,854
Additions to mortgage and other notes receivable	(2,965)	—
Payments received on mortgage and other notes receivable	2,160	2,708
Additional investments in and advances to unconsolidated affiliates	(3,969)	(19,626)
Distributions in excess of equity in earnings of unconsolidated affiliates	7,316	9,283
Changes in other assets	2,066	(7,664)
Net cash used in investing activities	(108,810)	(93,930)

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

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other indebtedness	\$1,136,081	\$1,074,808

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Principal payments on mortgage and other indebtedness	(1,108,292	) (1,057,087	)
Additions to deferred financing costs	(2,688	) (5,980	)
Proceeds from issuances of common stock	87	93	
Proceeds from exercises of stock options	4,434	1,954	
Purchase of noncontrolling interest in the Operating Partnership	(9,836	) —	
Contributions from noncontrolling interests	4,042	40	
Distributions to noncontrolling interests	(34,323	) (38,579	)
Dividends paid to holders of preferred stock	(21,188	) (21,188	)
Dividends paid to common shareholders	(63,852	) (60,731	)
Net cash used in financing activities	(95,535	) (106,670	)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 15,445	 (3,005	)
CASH AND CASH EQUIVALENTS, beginning of period	56,092	50,896	
CASH AND CASH EQUIVALENTS, end of period	\$71,537	\$47,891	
 SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$115,507	\$134,081	

The accompanying notes are an integral part of these condensed consolidated statements.

Table of Contents

CBL & Associates Properties, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Dollars in thousands, except share data)

Note 1 – Organization and Basis of Presentation

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

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the “Operating Partnership”). As of June 30, 2012, the Operating Partnership owned controlling interests in 77 regional malls/open-air centers (including our mixed-use center), 29 associated centers (each located adjacent to a regional mall), six 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, 2012, the Operating Partnership owned non-controlling interests in ten regional malls/open-air centers, three associated centers, five community centers and six office buildings. Because one or more of the other partners have substantive participating rights, the Operating Partnership does not control these partnerships and joint ventures and, accordingly, accounts for these investments using the equity method. The Operating Partnership had controlling interests in the development of one outlet center and expansion of one outlet center, both of which are owned in 75% /25% joint ventures at June 30, 2012. The Operating Partnership also had controlling interests in one mall expansion, one community center development and one mall redevelopment under construction at June 30, 2012. 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, 2012, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.1% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 82.3% limited partner interest for a combined interest held by CBL of 83.4%.

The noncontrolling interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively “CBL’s Predecessor”). 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. At June 30, 2012, CBL’s Predecessor owned a 9.8% limited partner interest and third parties owned a 6.8% limited partner interest in the Operating Partnership. CBL’s Predecessor also owned 7.6 million shares of CBL’s common stock at June 30, 2012, for a total combined effective interest of 13.8% in the Operating Partnership. The Richard E. Jacobs Group (“Jacobs”), which owned a significant noncontrolling interest in the Operating Partnership, exercised its right to convert its limited partner interest in the Operating Partnership into shares of common stock of CBL during the three months ended June 30, 2012. See Note 5 and Note 15 for more detailed information related to the Jacobs’ conversion.

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 (“SEC”). 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. All intercompany transactions have been eliminated. The results for the interim period ended June 30, 2012 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's presentation. The financial results of certain properties that had been classified in continuing operations have been reclassified to discontinued operations in the condensed consolidated financial statements for all periods presented herein. Except where noted, the information presented in the Notes to Unaudited Condensed Consolidated Financial Statements excludes discontinued operations.

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, 2011, as amended.

Note 2 – Recent Accounting Pronouncements

Accounting Guidance Adopted

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). The objective of ASU 2011-04 is to align fair value measurements and related disclosure requirements under GAAP and International Financial Reporting Standards ("IFRSs"), thus improving the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. For public entities, this guidance was effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. The adoption of ASU 2011-04 did not have a material impact on the Company's condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"). The objective of this accounting update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but continuous statements of net income and other comprehensive income. For public entities, this guidance was effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 ("ASU 2011-12"). This guidance defers the changes in ASU 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. Other requirements of ASU 2011-05 are not affected by ASU 2011-12. The guidance in ASU 2011-12 was effective at the same time as ASU 2011-05 so that entities would not be required to comply with the presentation requirements in ASU 2011-05 that ASU 2011-12 deferred. The adoption of this guidance changed the presentation format of the Company's condensed consolidated financial statements but did not have an impact on the amounts reported in those statements.

In December 2011, the FASB issued ASU No. 2011-10, Derecognition of in Substance Real Estate - a Scope Clarification ("ASU 2011-10"). This guidance applies to the derecognition of in substance real estate when the parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate because of a default by the subsidiary on its nonrecourse debt. Under ASU 2011-10, the reporting entity should apply the guidance in Accounting Standards Codification ("ASC") 360-20, Property, Plant and Equipment - Real Estate Sales, to determine whether it should derecognize the in substance real estate. Generally, the requirements to derecognize in substance real estate would not be met before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. Thus, even if the reporting entity ceases to have a controlling financial interest under ASC 810-10, Consolidation - Overall, it would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. ASU 2011-10 should be applied on a prospective basis to deconsolidation events occurring after the effective

date. For public companies, this guidance is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. The Company elected to adopt ASU 2011-10 effective January 1, 2012. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

Note 3 – Fair Value Measurements

The Company has categorized its financial assets and financial liabilities that are recorded at fair value into a hierarchy in accordance with ASC 820, Fair Value Measurements and Disclosure, ("ASC 820") based on whether the inputs to valuation techniques are observable or unobservable. The fair value hierarchy contains three levels of inputs that may be used to measure fair value as follows:

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

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

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

The asset or liability's fair value within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Under ASC 820, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction at the measurement date. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs and consider assumptions such as inherent risk, transfer restrictions, and risk of nonperformance.

Fair Value Measurements on a Recurring Basis

The following tables set forth information regarding the Company's financial instruments that are measured at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of June 30, 2012 and December 31, 2011:

		Fair Value Measurements at Reporting Date Using		
	Fair Value at June 30, 2012	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	\$27,092	\$15,263	\$—	\$11,829
Privately held debt and equity securities	2,475	—	—	2,475
Interest rate cap	—	—	—	—
Liabilities:				
Interest rate swaps	\$6,078	\$—	\$6,078	\$—

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2011	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	\$30,613	\$18,784	\$—	\$11,829
Privately held debt and equity securities	2,475	—	—	2,475
Liabilities:				

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Interest rate swaps	\$5,617	\$—	\$5,617	\$—
---------------------	---------	-----	---------	-----

The Company recognizes transfers in and out of every level at the end of each reporting period. There were no transfers between Levels 1, 2, or 3 for all periods presented.

Intangible lease assets and other assets in the condensed consolidated balance sheets include marketable securities consisting of corporate equity securities, mortgage/asset-backed securities, mutual funds and bonds 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 income in redeemable noncontrolling interests, shareholders' equity and noncontrolling interests. If a decline in the value of an investment is deemed to be other than temporary, the investment is written down to fair value and an impairment loss is recognized in the current period to the extent of the decline in value. During the three and six months ended June 30, 2012 and 2011, the Company did not record any write-downs related to other-than-temporary impairments. During the three and six month periods ended June 30, 2012, the Company recognized realized gains of \$160 related to sales of marketable securities. During the six months ended June 30, 2011, the Company recognized realized losses of \$22 related to sales of marketable securities. The fair value of the Company's available-for-sale securities that are based on quoted market prices, are classified under Level 1. Tax increment financing bonds ("TIF bonds") are classified as Level 3. The following is a summary of the available-for-sale securities held by the Company as of June 30, 2012 and December 31, 2011:

		Gross Unrealized			
	Adjusted Cost	Gains	Losses	Fair Value	
June 30, 2012:					
Common stocks	\$4,207	\$ 11,061	\$(5)	\$ 15,263	
Government and government sponsored entities	13,371	—	(1,542)	11,829	
	\$17,578	\$ 11,061	\$(1,547)	\$ 27,092	

	Adjusted Cost	Gross Unrealized		Fair Value
		Gains	Losses	
December 31, 2011:				
Common stocks	\$4,207	\$9,480	\$(5)	\$13,682
Mutual funds	928	23	—	951
Mortgage/asset-backed securities	1,717	10	(4)	1,723
Government and government sponsored entities	15,058	45	(1,542)	13,561
Corporate bonds	636	26	—	662
International bonds	33	1	—	34
	\$22,579	\$9,585	\$(1,551)	\$30,613

The Company uses interest rate swaps and caps to mitigate the effect of interest rate movements on its variable-rate debt. The Company had four interest rate swaps and one interest rate cap as of June 30, 2012 and December 31, 2011, that qualify as hedging instruments and are designated as cash flow hedges. The interest rate cap is included in intangible lease assets and other assets and the interest rate swaps are reflected in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets. The swaps and cap have predominantly met the effectiveness test criteria since inception and changes in their fair values are, thus, primarily reported in other comprehensive income (loss) and are reclassified into earnings in the same period or periods during which the hedged items affect earnings. The fair values of the Company's interest rate hedges, classified under Level 2, are determined 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. See Note 6 for further information regarding the Company's interest rate hedging instruments.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short-term nature of these financial instruments. Based on the interest rates for similar financial instruments, the carrying value of mortgage and other notes receivable is a reasonable

estimate of fair value. The estimated fair value of mortgage and other indebtedness was \$5,089,981 and \$4,836,028 at June 30, 2012 and December 31, 2011, respectively. The fair value was calculated by discounting future cash flows for mortgage and other indebtedness using estimated market rates at which similar loans would be made currently. The Company holds TIF bonds, which mature in 2028, received in a private placement as consideration for infrastructure improvements made by the Company related to the development of a community center. The Company has the intent and ability to hold the TIF bonds through the recovery period. To value the TIF bonds at June 30, 2012, the Company performed a probability-weighted discounted cash flow analysis using various bond redemption scenarios and a net present value based on a discount rate of 7% and a lack of marketability discount of 5%. The valuation assumes a 5% long-term revenue growth rate. Due to the significant unobservable estimates and assumptions used in the valuation of the TIF bonds, the Company has classified the TIF bonds under Level 3 in the fair value hierarchy. There were no changes in the \$11,829 classified as available-for-sale securities (Level 3) for the period from December 31, 2011 through June 30, 2012.

The Company holds a secured convertible promissory note from Jinsheng Group ("Jinsheng"), in which the Company also holds a cost-method investment. The secured convertible note is non-interest bearing and is secured by shares of Jinsheng. Since the secured convertible note is non-interest bearing and there is no active market for Jinsheng's debt, the Company performed a probability-weighted discounted cash flow analysis using various sale, redemption and initial public offering ("IPO") exit strategies. The fair value analysis as of June 30, 2012 forecasts a 0% to 10% reduction in estimated cash flows. Sale and IPO scenarios employ capitalization rates ranging from 10% to 12% which are discounted 20% for lack of marketability. Due to the significant unobservable estimates and assumptions used in the valuation of the note, the Company has classified it under Level 3 in the fair value hierarchy. Based on the valuation as of June 30, 2012, the Company determined that the current balance of the secured convertible note of \$2,475 is not impaired. There were no changes in the \$2,475 classified as privately held debt and equity securities (Level 3) for the period from December 31, 2011 through June 30, 2012. See Note 5 for further discussion.

The significant unobservable inputs used in the fair value measurement of the TIF bonds are the forecasted growth in sales and marketability discount. The significant unobservable inputs used in the fair value measurement of the Jinsheng note include revenue estimates and marketability discount. Significant increases (decreases) in revenues could result in a significantly higher (lower) fair value measurement whereas significant increases (decreases) in the marketability discount could result in a significantly lower (higher) fair value measurement.

Fair Value Measurements on a Nonrecurring Basis

The Company measures the fair value of certain long-lived assets on a nonrecurring basis, through quarterly impairment testing or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. As of June 30, 2012, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis for which the carrying value exceeded fair value.

Note 4 – Acquisitions and Discontinued Operations

Acquisitions

Dakota Square Mall

On May 16, 2012, the Company acquired Dakota Square Mall, located in Minot, ND. The purchase price of \$91,475 consisted of \$32,474 in cash and the assumption of \$59,001 of non-recourse debt that bears interest at a fixed rate of 6.23% and matures in November 2016. The Company recorded a debt premium of \$3,040, computed using an estimated market interest rate of 4.75%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition. The results of operations of Dakota Square Mall are included in the condensed consolidated financial statements beginning on the date of acquisition. The Company incurred \$272 of transaction related charges, which were recorded as general and administrative costs. The pro forma effect of this acquisition was not material. The following table summarizes the preliminary allocation of the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

Land	\$4,749
Buildings and improvements	84,086
Tenant improvements	2,426
Above-market leases	2,233
In-place leases	12,489

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Total assets	105,983	
Below-market leases	(11,468	)
Mortgage note payable assumed	(59,001	)
Debt premium	(3,040	)
Net assets acquired	\$32,474	

The Outlet Shoppes at Gettysburg

On April 17, 2012, the Company and its noncontrolling interest partner exercised their rights under the terms of a mezzanine loan agreement with the borrower, which owned The Outlet Shoppes at Gettysburg in Gettysburg, PA, to convert the mezzanine loan into a member interest in the outlet shopping center. After conversion, the Company owns a 50.0% interest in the outlet center. The investment of \$24,837 consisted of a \$4,522 converted mezzanine loan and the assumption of \$20,315 of debt. The \$40,631 of debt, of which our share is 50.0%, bears interest at a fixed rate of 5.87% and matures in February 2016. The results of operations of The Outlet Shoppes at Gettysburg are included in the condensed consolidated financial statements beginning on the date of acquisition. The following table summarizes the preliminary allocation of the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

Land	\$20,915	
Buildings and improvements	19,750	
Tenant improvements	2,134	
Above-market leases	1,097	
In-place leases	9,282	
Total assets	53,178	
Mortgage note payable assumed	(40,631	)
Below-market leases	(3,503	)
Noncontrolling interest	(4,522	)
Net assets acquired	\$4,522	

The Outlet Shoppes at El Paso

On April 13, 2012, the Company acquired a 75.0% joint venture interest in The Outlet Shoppes at El Paso, an outlet shopping center located in El Paso, TX for \$35,456. The amount paid for the Company's 75.0% share was based on a total value of \$114,199 less non-recourse mortgage debt of \$66,924, which bears interest at a fixed rate of 7.06% and matures in December 2017. The debt assumed was at an above-market rate compared to similar debt instruments at the date of acquisition, so the Company recorded a debt premium of \$7,700 (of which \$5,775 represents the Company's 75.0% share), computed using an estimated market interest rate of 4.75%. The entity that owned The Outlet Shoppes at El Paso used a portion of the proceeds to repay a \$9,150 mezzanine loan from the Company. After considering the repayment of the mezzanine loan to the Company, the net consideration paid by the Company in connection with this transaction was \$28,594. The Outlet Shoppes at El Paso's results of operations are included in the condensed consolidated financial statements beginning on the date of acquisition. The following table summarizes the preliminary allocation of the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

Land	\$12,579	
Buildings and improvements	90,396	
Tenant improvements	3,766	
Above-market leases	2,852	
In-place leases	15,305	
Investments in unconsolidated affiliates	3,784	
Total assets	128,682	
Mortgage note payable assumed	(66,924	)
Debt premium	(7,700	)

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Below-market leases	(6,783	)
Noncontrolling interest	(11,819	)
Net assets acquired	\$35,456	

Discontinued Operations

In March 2012, the Company completed the sale of the second phase of Settlers Ridge, a community center located in Robinson Township, PA, for a gross sales price of \$19,144 less commissions and customary closing costs for a net sales price of \$18,951. Proceeds from the sale of the second phase of Settlers Ridge were used to reduce the outstanding borrowings on the Company's secured credit facilities. The Company recorded a gain of \$883 attributable to the sale in the first quarter of 2012. The Company recorded a loss on impairment of real estate of \$4,457 in the second quarter of 2011 to write down the book value of this property to its then estimated fair value. The results of operations of this property and the related gain on the sale are included in discontinued operations for the six months ended June 30, 2012. There were no results of operations for this property for the three month and six month periods ended June 30, 2011 as it was under development during that period. The loss on impairment of real estate is included in discontinued operations for the three and six month periods ended June 30, 2011.

In January 2012, the Company sold Oak Hollow Square, a community center located in High Point, NC, for a gross sales price of \$14,247. Net proceeds of \$13,796 were used to reduce the outstanding balance on the Company's unsecured term loan. The Company recorded a loss on impairment of real estate of \$729 in the fourth quarter of 2011 to write down the book value of this property to the estimated net sales price. The Company recorded a loss on impairment of real estate of \$255 in the first quarter of 2012 related to the true-up of certain estimated amounts to actual amounts. The results of operations of this property, including the loss on impairment of real estate, are included in discontinued operations for the six months ended June 30, 2012 and for the three and six month periods ended June 30, 2011, as applicable.

In November 2011, the Company completed the sale of Westridge Square, a community center located in Greensboro, NC, for a sales price of \$26,125 less commissions and customary closing costs for a net sales price of \$25,768. The Company recorded a loss of \$160 attributable to the sale in the fourth quarter of 2011. Proceeds from the sale of Westridge Square were used to reduce the outstanding borrowings on the unsecured term loan used to acquire the Starmount Properties. The results of operations of this property are included in discontinued operations for the three and six month periods ended June 30, 2011.

In February 2011, the Company completed the sale of Oak Hollow Mall in High Point, NC, for a gross sales price of \$9,000. Net proceeds were used to retire the outstanding principal balance and accrued interest of \$40,281 on the non-recourse loan secured by the property in accordance with the lender's agreement to modify the outstanding principal balance and accrued interest to equal the net sales price for the property and, as a result, the Company recorded a gain on the extinguishment of debt of \$31,434 in the first quarter of 2011. The Company also recorded a loss on impairment of real estate in the first quarter of 2011 of \$2,746 to write down the book value of the property to the net sales price. The results of operations of this property, including the gain on extinguishment of debt and loss on impairment of real estate, are included in discontinued operations for the six months ended June 30, 2011.

Total revenues of the properties described above that are included in discontinued operations were \$(51) and \$967 for the three months ended June 30, 2012 and 2011, respectively, and \$325 and \$2,396 for the six months ended June 30, 2012 and 2011, respectively. Discontinued operations for the three and six month periods ended June 30, 2012 and 2011 also include settlements of estimated expenses based on actual amounts for properties sold during previous periods.

See [Note 15](#) regarding the sale of Massard Crossing subsequent to June 30, 2012.

Note 5 – Unconsolidated Affiliates, Noncontrolling Interests and Cost Method Investments

Unconsolidated Affiliates

At June 30, 2012, the Company had investments in the following 18 entities, which are accounted for using the equity method of accounting:

Joint Venture	Property Name	Company's Interest	%
CBL/T-C, LLC	CoolSprings Galleria, Oak Park Mall, West County Center	60.3	%

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

	and Pearland Town Center		
CBL-TRS Joint Venture, LLC	Friendly Center, The Shops at Friendly Center and a portfolio of six office buildings	50.0	%
CBL-TRS Joint Venture II, LLC	Renaissance Center	50.0	%
El Paso Outlet Outparcels, LLC	The Outlet Shoppes at El Paso (vacant land)	50.0	%
Governor's Square IB	Governor's Plaza	50.0	%
Governor's Square Company	Governor's Square	47.5	%
High Pointe Commons, LP	High Pointe Commons	50.0	%
High Pointe Commons II-HAP, LP	High Pointe Commons - Christmas Tree Shop	50.0	%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0	%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0	%
JG Gulf Coast Town Center LLC	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 (Coastal Grand Crossing and vacant land)	50.0	%
Port Orange I, LLC	The Pavilion at Port Orange Phase I	50.0	%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0	%
West Melbourne I, LLC	Hammock Landing Phases I and II	50.0	%
York Town Center, LP	York Town Center	50.0	%

Although the Company has majority ownership of certain of these joint ventures, it has evaluated these investments and concluded that the other partners or owners in these joint ventures have substantive participating rights, such as approvals of:

- the pro forma for the development and construction of the project and any material deviations or modifications thereto;
- the site plan and any material deviations or modifications thereto;
- the conceptual design of the project and the initial plans and specifications for the project and any material deviations or modifications thereto;
- any acquisition/construction loans or any permanent financings/refinancings;
- the annual operating budgets and any material deviations or modifications thereto;
- the initial leasing plan and leasing parameters and any material deviations or modifications thereto; and
- any material acquisitions or dispositions with respect to the project.

As a result of the joint control over these joint ventures, the Company accounts for these investments using the equity method of accounting.

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

	As of June 30, 2012	December 31, 2011
ASSETS		
Investment in real estate assets	\$2,220,979	\$2,239,160
Accumulated depreciation	(480,465)	(447,121)
	1,740,514	1,792,039
Construction in progress	20,966	19,640
Net investment in real estate assets	1,761,480	1,811,679
Other assets	180,056	190,465
Total assets	\$1,941,536	\$2,002,144
LIABILITIES		
Mortgage and other indebtedness	\$1,465,123	\$1,478,601
Other liabilities	43,114	51,818
Total liabilities	1,508,237	1,530,419

OWNERS' EQUITY

The Company	263,547	267,136
Other investors	169,752	204,589
Total owners' equity	433,299	471,725
Total liabilities and owners' equity	\$1,941,536	\$2,002,144

	Total for the Three Months Ended June 30,		Company's Share for the Three Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$62,205	\$36,851	\$32,976	\$20,430
Depreciation and amortization expense	(20,718)	(12,662)	(11,008)	(7,097)
Interest expense	(21,086)	(13,080)	(11,093)	(7,201)
Other operating expenses	(18,076)	(10,539)	(9,022)	(5,923)
Gain on sales of real estate assets	430	1,665	220	1,246
Net income	\$2,755	\$2,235	\$2,073	\$1,455

	Total for the Six Months Ended June 30,		Company's Share for the Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$124,499	\$76,947	\$66,387	\$42,984
Depreciation and amortization expense	(41,484)	(25,100)	(22,119)	(14,112)
Interest expense	(42,197)	(26,237)	(22,296)	(14,460)
Other operating expenses	(37,023)	(22,805)	(18,853)	(12,425)
Gain on sales of real estate assets	430	\$1,665	220	\$1,246
Net income	\$4,225	\$4,470	\$3,339	\$3,233

In April 2012, the Company acquired a 50.0% interest in a joint venture, El Paso Outlet Outparcels, LLC, simultaneously with the acquisition of a 75.0% interest in The Outlet Shoppes at El Paso (see [Note 4](#)). The Company's investment was \$3,784. The remaining 50.0% interest is owned by affiliates of Horizon Group Properties. El Paso Outlet Outparcels, LLC owns land adjacent to The Outlet Shoppes at El Paso. The terms of the joint venture agreement provide that voting rights, capital contributions and distributions of cash flows will be on a pari passu basis in accordance with the ownership percentages.

During the first quarter of 2012, York Town Center, LP ("YTC") closed on a \$38,000 ten-year non-recourse loan, secured by York Town Center in York, PA, which bears interest at a fixed rate of 4.90%. Proceeds from the new loan, plus cash on hand, were used to retire an existing loan of \$39,379 that was scheduled to mature in March 2012.

Also during the first quarter of 2012, Port Orange I, LLC ("Port Orange") closed on the extension and modification of a construction loan, secured by The Pavilion at Port Orange in Port Orange, FL, to extend the maturity date to March 2014, remove a 1% LIBOR floor, and reduce the capacity from \$98,883 to \$64,950. Port Orange paid \$3,332 to reduce the outstanding balance on the loan to the new capacity amount. There is a one-year extension option remaining on the loan, which is at the joint venture's election, for an outside maturity date of March 2015. Interest on the loan is at a current rate of LIBOR plus a margin of 3.5%. The Company has guaranteed 100% of the construction loan.

All of the debt on the properties owned by the unconsolidated affiliates is non-recourse, except for West Melbourne, Port Orange, and High Pointe Commons. See [Note 11](#) for a description of guarantees the Company has issued related to certain unconsolidated affiliates.

See [Note 15](#) regarding a subsequent event related to JG Gulf Coast Town Center LLC ("Gulf Coast").

Noncontrolling Interests

Noncontrolling interests include the aggregate noncontrolling partnership interest in the Operating Partnership that is not owned by the Company and for which each of the noncontrolling limited partners has the right to exchange all or a portion of its partnership interests for shares of the Company's common stock, or at the Company's election, their cash equivalent. Noncontrolling interests also includes the aggregate noncontrolling ownership interest in the Company's other consolidated subsidiaries that is held by third parties and for which the related partnership agreements either do not include redemption provisions or are subject to redemption provisions that do not require classification outside of permanent equity. As of June 30, 2012, the total noncontrolling interests of \$164,148 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of \$142,222 and \$21,926 respectively. The total noncontrolling interests at December 31, 2011 of \$207,113 consisted of noncontrolling interests in the Operating Partnership and in other consolidated subsidiaries of \$202,833 and \$4,280, respectively.

Redeemable noncontrolling interests include a noncontrolling partnership interest in the Operating Partnership that is not owned by the Company and for which the partnership agreement includes redemption provisions that may require the Company to redeem the partnership interest for real property. Redeemable noncontrolling interests also includes the aggregate noncontrolling ownership interest in other consolidated subsidiaries that is held by third parties and for which the related partnership agreements contain redemption provisions at the holder's election that allow for redemption through cash and/or properties. The total redeemable noncontrolling partnership interests of \$38,218 as of June 30, 2012 consisted of noncontrolling interests in the Operating Partnership and in the Company's consolidated subsidiary that provides security and maintenance services to third parties of \$32,063 and \$6,155, respectively. At December 31, 2011, the total redeemable noncontrolling partnership interests of \$32,271 consisted of noncontrolling interests in the Operating Partnership and in the Company's consolidated security and maintenance services subsidiary of \$26,036 and \$6,235, respectively.

The redeemable noncontrolling preferred joint venture interest includes the preferred joint venture units ("PJV units") issued to the Westfield Group ("Westfield") for the acquisition of certain properties during 2007. See [Note 11](#) for additional information related to the PJV units. Activity related to the redeemable noncontrolling preferred joint venture interest represented by the PJV units is as follows:

	Six Months Ended	
	June 30,	
	2012	2011
Beginning Balance	\$423,834	\$423,834
Net income attributable to redeemable noncontrolling preferred joint venture interest	10,286	10,228
Distributions to redeemable noncontrolling preferred joint venture interest	(10,343)	(10,286)
Ending Balance	\$423,777	\$423,776

Jacobs, holder of 9,757,100 common units of limited partnership interest in the Operating Partnership, exercised its conversion rights in May 2012. The Company elected to issue 9,757,100 shares of common stock in exchange for the common units in June 2012. See [Note 15](#) for additional information related to this conversion.

In the second quarter of 2012, the Company elected to pay cash of \$3,475 to a holder of 194,572 common units of limited partnership interest in the Operating Partnership upon exercise of its conversion rights in the first quarter of 2012.

In the first quarter of 2012, the Company elected to pay cash of \$6,359 to three holders of 431,380 common units of limited partnership interest in the Operation Partnership upon exercise of their conversion rights.

Cost Method Investments

The Company owns a 6.2% noncontrolling interest in subsidiaries of Jinsheng, an established mall operating and real estate development company located in Nanjing, China. As of June 30, 2012, Jinsheng owns controlling interests in 12 home furnishing shopping malls.

The Company also holds a secured convertible promissory note secured by 16,565,534 Series 2 Ordinary Shares of Jinsheng (which equates to a 2.275% ownership interest). The secured note is non-interest bearing and was amended by the Company and Jinsheng in January 2012 to extend to July 2012 the Company's right to convert the outstanding

amount of the secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng, with an option to extend an additional six months to January 2013. The amendment also provides that if Jinsheng should complete an IPO, the secured note will be converted into common shares of Jinsheng immediately prior to the IPO. The Company can demand payment of the secured note at any time. See Note 15 for information related to the extension of the secured note subsequent to June 30, 2012.

The Company accounts for its noncontrolling interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng's shares since they are not publicly traded. See Note 3 for information regarding the fair value of the secured note. The noncontrolling interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying condensed consolidated balance sheets.

Variable Interest Entities

In May 2012, the Company entered into a joint venture, Atlanta Outlet Shoppes, LLC, with a third party to develop, own, and operate The Outlet Shoppes at Atlanta, an outlet center development located in Woodstock, GA. The Company holds a 75% ownership interest in the joint venture. The Company determined that its investment in this joint venture represents a variable interest in a variable interest entity ("VIE") and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying condensed consolidated financial statements as of June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.

In April 2012, the Company entered into a joint venture, Gettysburg Outlet Center Holding LLC, with a third party to develop, own, and operate The Outlet Shoppes at Gettysburg. The Company holds a 50% ownership interest in this joint venture. The Company determined that its investment in this joint venture represents a variable interest in a VIE and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying condensed consolidated financial statements as of June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.

In April 2012, the Company entered into a joint venture, El Paso Outlet Center Holding, LLC, with a third party to develop, own, and operate The Outlet Shoppes at El Paso. The Company holds a 75% ownership interest in the joint venture. The Company determined that its investment in this joint venture represents a variable interest in a VIE and that the Company is the primary beneficiary. As a result, the joint venture is presented in the accompanying condensed consolidated financial statements as of June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.

Note 6 – Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following:

	June 30, 2012			December 31, 2011		
	Amount	Weighted Average Interest Rate ⁽¹⁾		Amount	Weighted Average Interest Rate ⁽¹⁾	
Fixed-rate debt:						
Non-recourse loans on operating properties ⁽²⁾	\$3,835,797	5.42	%	\$3,656,243	5.55	%
Recourse term loans on operating properties	50,308	5.83	%	77,112	5.89	%
Total fixed-rate debt	3,886,105	5.43	%	3,733,355	5.54	%
Variable-rate debt:						
Non-recourse term loans on operating properties	163,375	3.47	%	168,750	3.03	%
Recourse term loans on operating properties	110,296	2.39	%	124,439	2.29	%
Construction loans	28,223	3.28	%	25,921	3.25	%
Secured lines of credit	110,000	2.75	%	27,300	3.03	%
Unsecured term loans	395,209	1.88	%	409,590	1.67	%
Total variable-rate debt	807,103	2.32	%	756,000	2.18	%
Total	\$4,693,208	4.89	%	\$4,489,355	4.99	%

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

The Company has four interest rate swaps on notional amounts totaling \$115,800 as of June 30, 2012 and \$117,700 as of December 31, 2011 related to four variable-rate loans on operating properties to effectively fix the interest rate on the respective loans. Therefore, these amounts are reflected in fixed-rate debt at June 30, 2012 and December 31, 2011.

See Note 4 for a description of debt assumed in connection with acquisitions completed during the six months ended June 30, 2012.

Secured Lines of Credit

The Company has three secured lines of credit that are used for mortgage retirement, working capital, construction and acquisition 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 an applicable spread, ranging from 2.00% to 3.00%, based on the Company's leverage ratio and had a weighted average interest rate of 2.75% at June 30, 2012. The Company also pays fees based on the amount of unused availability under its secured lines of credit at rates ranging from 0.15% to 0.35% of unused availability. The following summarizes certain information about the secured lines of credit as of June 30, 2012:

Total Capacity	Total Outstanding	Maturity Date	Extended Maturity Date
\$525,000	\$—	(1) February 2014	February 2015
520,000	110,000	April 2014	N/A
105,000	—	June 2015	June 2016
\$1,150,000	\$110,000		

(1) There was an additional \$351 outstanding on this secured line of credit as of June 30, 2012 for letters of credit. Up to \$50,000 of the capacity on this line can be used for letters of credit.

In June 2012, the Company closed on the extension and modification of its secured credit facility with total capacity of \$105,000. The facility's maturity date was extended to June 2015 with a one-year extension option, which is at the Company's election, for an outside maturity date of June 2016. The loan bears interest at LIBOR plus a margin ranging from 1.75% to 2.75%, based on the Company's leverage ratio.

Unsecured Term Facilities

The Company has an unsecured term loan that bears interest at LIBOR plus a margin ranging from 0.95% to 1.40%, based on the Company's leverage ratio. At June 30, 2012, the outstanding borrowings of \$167,209 under this loan had a weighted average interest rate of 1.35%. The loan was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. The Company completed its acquisition of the properties in February 2008 and, as a result, no further draws can be made against the loan. The loan matures in November 2012. 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 loan must be used to pay down any remaining outstanding balance. The Company expects to use excess proceeds realized from our mortgage financings to retire this loan in 2012.

The Company has an unsecured term loan with a total capacity of \$228,000 that bears interest at LIBOR plus a margin ranging from 1.50% to 1.80%, based on the Company's leverage ratio. At June 30, 2012, the outstanding borrowings of \$228,000 under the unsecured term loan had a weighted average interest rate of 1.84%. The Company exercised an option to extend the maturity date from April 2012 to April 2013.

Letters of Credit

At June 30, 2012, the Company had additional secured and unsecured lines of credit with a total commitment of \$15,906 that can only be used for issuing letters of credit. The letters of credit outstanding under these lines of credit totaled \$2,150 at June 30, 2012.

Covenants and Restrictions

The agreements to each of the secured lines of credit contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. The Company believes it was in compliance with all covenants and restrictions at June 30, 2012.

The agreements to the \$525,000 and \$520,000 secured credit facilities and the two unsecured term facilities described above, each with the same lead lender, contain default and cross-default provisions customary for transactions of this nature (with applicable customary grace periods) in the event (i) there is a default in the payment of any indebtedness owed by the Company to any institution which is a part of the lender groups for the credit facilities, or (ii) there is any other type of default with respect to any indebtedness owed by the Company to any institution which is a part of the lender groups for the credit facilities and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreements provide that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under these credit facilities and those facilities with which these agreements reference cross-default provisions may be accelerated and the lenders' commitments may be terminated. Additionally, any default in the payment of any recourse indebtedness greater than \$50,000, or any non-recourse indebtedness greater than \$100,000, of the Company, the Operating Partnership and/or significant subsidiaries, as defined in the credit facilities, regardless of whether the lending institution is a part of the lender groups for the credit facilities, will constitute an event of default under the agreements to the credit facilities.

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

Mortgages on Operating Properties

In June 2012, the Company closed on a \$40,000 ten-year non-recourse commercial mortgage-backed securities ("CMBS") loan with a fixed rate of 4.99% secured by WestGate Mall in Spartanburg, SC. Proceeds were used to pay down the Company's secured credit facilities.

In May 2012, the Company closed on a \$22,000 ten-year non-recourse loan with an insurance company at a fixed interest rate of 5.00% secured by CBL Centers I and II in Chattanooga, TN. The new loan was used to pay down our secured credit facilities, which had been used in April 2012 and February 2012 to retire the loan balances on the maturing loans on CBL Centers II and I which had principal outstanding balances of \$9,078 and \$12,818, respectively.

In May 2012, the Company closed on a \$67,000 ten-year non-recourse CMBS loan secured by Southpark Mall in Colonial Heights, VA. The loan bears interest at a fixed rate of 4.845%. Proceeds were used to retire an existing loan secured by Southpark Mall with a balance of \$30,763 that was scheduled to mature in May 2012 as well as to reduce outstanding borrowings on the Company's secured credit facilities.

In May 2012, the Company closed on two separate ten-year non-recourse CMBS loans, including a \$71,190 loan secured by Jefferson Mall in Louisville, KY and a \$42,000 loan secured by Fashion Square Mall in Saginaw, MI, which bear interest at fixed interest rates of 4.75% and 4.95%, respectively. Proceeds were used to pay down the Company's secured credit facilities.

In April 2012, the Company closed on a ten-year non-recourse \$122,000 CMBS loan secured by Arbor Place in Douglasville, GA. The loan bears interest at a fixed rate of 5.099%. Proceeds were used primarily to reduce the balance on the Company's secured credit facilities.

In April 2012, the Company closed on the extension and modification of a recourse mortgage loan secured by Statesboro Crossing in Statesboro, GA to extend the maturity date to February 2013 and reduce the amount available under the loan from \$20,911 to equal the outstanding balance of \$13,568. The interest rate remained at one-month LIBOR plus a spread of 1%. During the first quarter of 2012, this loan had previously been extended to April 2012. During the first quarter of 2012, the Company closed on a \$73,000 ten-year non-recourse CMBS loan secured by Northwoods Mall in Charleston, SC, which bears a fixed interest rate of 5.075%. Proceeds were used to reduce

outstanding balances on the Company's secured credit facilities.

Also during the first quarter of 2012, the Company retired 15 operating property loans with an aggregate principal balance of \$394,386 that were secured by Arbor Place, The Landing at Arbor Place, CBL Center I, Fashion Square, Hickory Hollow Mall, The Courtyard at Hickory Hollow Mall, Jefferson Mall, Massard Crossing, Northwoods Mall, Old Hickory Mall, Pemberton Plaza, Randolph Mall, Regency Mall, WestGate Mall and Willowbrook Plaza with borrowings from its secured credit facilities. As noted above, six of these properties were refinanced in the second quarter of 2012. See Note 15 related to the sale of Massard Crossing subsequent to June 30, 2012.

In the first quarter of 2012, the lender of the non-recourse mortgage loan secured by Columbia Place in Columbia, SC notified the Company that the loan had been placed in default. Columbia Place generates insufficient income levels to cover the debt service on the mortgage, which had a balance of \$27,265 at June 30, 2012, and a contractual maturity date of September 2013. The lender on the loan receives the net operating cash flows of the property each month in lieu of scheduled monthly mortgage payments.

Scheduled Principal Payments

As of June 30, 2012, the scheduled principal, amortization and balloon payments of the Company's consolidated debt, excluding extensions available at the Company's option, on all mortgage and other indebtedness, including construction loans and lines of credit, are as follows:

2012	\$ 330,037
2013	624,781
2014	329,072
2015	482,436
2016	778,893
Thereafter	2,138,305
	4,683,524
Net unamortized premiums (discounts)	9,684
	\$4,693,208

The remaining scheduled principal payments in 2012 of \$330,037 include the maturing principal balances of two operating property loans totaling \$122,169, one unsecured term loan of \$167,209, a land loan of \$2,023 and principal amortization of \$38,636. One maturing operating property loan with a principal balance of \$77,500 and the land loan have one-year extensions available at the Company's option, leaving approximately \$211,878 of loan maturities in 2012 which the Company intends to retire or refinance.

The Company's mortgage and other indebtedness had a weighted average maturity of 5.09 years as of June 30, 2012 and 4.69 years as of December 31, 2011.

Interest Rate Hedge Instruments

The Company records its derivative instruments in its condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the derivative has been designated as a hedge and, if so, whether the hedge has met the criteria necessary to apply hedge accounting.

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

The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in accumulated other comprehensive income (loss) ("AOCI/L") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

In the first quarter of 2012, the Company entered into an interest rate cap agreement with an initial notional amount of \$125,000, amortizing to \$122,375, to hedge the risk of changes in cash flows on the borrowings of one of its properties equal to the cap notional. The interest rate cap protects the Company from increases in the hedged cash

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

flows attributable to overall changes in the 3-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 5.0%. The cap matures in January 2014.

As of June 30, 2012, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative			Number of Instruments		Notional Amount Outstanding		
Interest Rate Cap			1		\$124,625		
Interest Rate Swaps			4		\$115,800		
Instrument Type	Location in Consolidated Balance Sheet	Outstanding Notional Amount	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 6/30/12	Fair Value at 12/31/11	Maturity Date
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$55,985 (amortizing to \$48,337)	1-month LIBOR	2.149%	\$(2,903)	\$(2,674)	Apr 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$35,047 (amortizing to \$30,276)	1-month LIBOR	2.187%	(1,861)	(1,725)	Apr 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$13,104 (amortizing to \$11,313)	1-month LIBOR	2.142%	(676)	(622)	Apr 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$11,664 (amortizing to \$10,083)	1-month LIBOR	2.236%	(638)	(596)	Apr 2016
Cap	Intangible lease assets and other assets	\$124,625 (amortizing to \$122,375)	3-month LIBOR	5.000%	—	—	Jan 2014

Hedging Instrument	Loss Recognized in OCI/L (Effective Portion) Three Months Ended June 30, 2012 2011		Location of Losses Reclassified from AOCI/L into Earnings (Effective Portion)	Loss Recognized in Earnings (Effective Portion) Three Months Ended June 30, 2012 2011		Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion) Three Months Ended June 30, 2012 2011	
Interest rate contracts	\$(764)	\$(2,634)	Interest Expense	\$(567)	\$(636)	Interest Expense	\$—	\$—
Hedging Instrument	Loss Recognized in OCI/L (Effective Portion) Six Months Ended June 30, 2012 2011		Location of Losses Reclassified from AOCI/L into Earnings (Effective Portion)	Loss Recognized in Earnings (Effective Portion) Six Months Ended June 30, 2012 2011		Location of Gain Recognized in Earnings (Ineffective Portion)	Gain Recognized in Earnings (Ineffective Portion) Six Months Ended June 30, 2012 2011	
Interest rate contracts	\$(481)	\$(2,072)	Interest Expense	\$(1,129)	\$(658)	Interest Expense	\$—	\$—

As of June 30, 2012, the Company expects to reclassify approximately \$2,149 of losses currently reported in accumulated other comprehensive income to interest expense within the next twelve months due to amortization of its outstanding interest rate contracts. Fluctuations in fair values of these derivatives between June 30, 2012 and the respective dates of termination will vary the projected reclassification amount.

Note 7 – Comprehensive Income

Comprehensive income includes all changes in redeemable noncontrolling interests and total equity during the period, except those resulting from investments by shareholders and partners, distributions to shareholders and partners and redemption valuation adjustments. Other comprehensive income (loss) (“OCI/L”) includes changes in unrealized gains (losses) on available-for-sale securities, interest rate hedge agreements and foreign currency translation adjustments.

The components of accumulated other comprehensive income (loss) as of June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012			
	As reported in:			
	Redeemable Noncontrolling Interests	Shareholders' Equity	Noncontrolling Interests	Total
Net unrealized gain (loss) on hedging instruments	\$373	\$(3,013)	\$(3,580)	\$(6,220)
Net unrealized gain on available-for-sale securities	340	7,159	2,076	9,575
Accumulated other comprehensive income (loss)	\$713	\$4,146	\$(1,504)	\$3,355

	December 31, 2011			
	As reported in:			
	Redeemable Noncontrolling Interests	Shareholders' Equity	Noncontrolling Interests	Total
Net unrealized gain (loss) on hedging instruments	\$377	\$(2,628)	\$(3,488)	\$(5,739)
Net unrealized gain on available-for-sale securities	328	6,053	1,775	8,156
Accumulated other comprehensive income (loss)	\$705	\$3,425	\$(1,713)	\$2,417

Note 8 – Mortgage and Other Notes Receivable

Each of the Company’s mortgage notes receivable is collateralized by either a first mortgage, a second mortgage or by an assignment of 100% of the partnership interests that own the real estate assets. Other notes receivable include amounts due from tenants or government sponsored districts and unsecured notes received from third parties as whole or partial consideration for property or investments. Interest rates on mortgage and other notes receivable ranged from 2.74% to 10.0%, with a weighted average interest rate of 7.26% and 8.76% at June 30, 2012 and December 31, 2011, respectively. Maturities of these notes receivable range from April 2013 to January 2047.

In April 2012, the Company and its noncontrolling interest partner exercised their rights under the terms of a mezzanine loan agreement with the borrower, which owned The Outlet Shoppes at Gettysburg, to convert the mezzanine loan into a member interest in the outlet center. See [Note 4](#) for additional information.

In April 2012, the entity that owned The Outlet Shoppes at El Paso repaid a mezzanine loan from the Company when the Company acquired an interest in the outlet center. See [Note 4](#) for additional information.

As of June 30, 2012, the Company believes that its mortgage and other notes receivable balance of \$25,442 is fully collectible.

Note 9 – 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

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

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, restated for discontinued operations in all periods presented:

Three Months Ended June 30, 2012	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$228,381	\$10,536	\$4,023	\$12,658	\$255,598
Property operating expenses ⁽¹⁾	(73,585)	) (2,574)	) (1,298)	) 3,720	(73,737)
Interest expense	(54,933)	) (2,114)	) (631)	) (3,722)	(61,400)
Other expense	—	—	—	(6,559)	(6,559)
Gain on sales of real estate assets	2,543	—	—	—	2,543
Segment profit	\$102,406	\$5,848	\$2,094	\$6,097	116,445
Depreciation and amortization expense					(68,126)
General and administrative expense					(11,993)
Interest and other income					1,298
Equity in earnings of unconsolidated affiliates					2,073
Income tax provision					(267)
Income from continuing operations					\$39,430
Capital expenditures ⁽³⁾	\$98,694	\$1,940	\$3,042	\$14,880	\$118,556

Three Months Ended June 30, 2011	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$223,364	\$9,634	\$4,214	\$24,907	\$262,119
Property operating expenses ⁽¹⁾	(71,628)	) (2,457)	) (2,295)	) 1,228	(75,152)
Interest expense	(57,862)	) (2,346)	) (2,572)	) (8,134)	(70,914)
Other expense	—	—	—	(7,046)	(7,046)
Loss on sales of real estate assets	(9)	) (37)	) (51)	) —	(97)
Segment profit (loss)	\$93,865	\$4,794	\$(704)	) \$10,955	108,910
Depreciation and amortization expense					(71,839)
General and administrative expense					(11,241)
Interest and other income					612
Equity in earnings of unconsolidated affiliates					1,455
Income tax benefit					4,653
Income from continuing operations					\$32,550
Capital expenditures ⁽³⁾	\$37,170	\$3,215	\$1,271	\$24,065	\$65,721

Six Months Ended June 30, 2012	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$451,011	\$20,841	\$8,416	\$26,002	\$506,270
Property operating expenses ⁽¹⁾	(148,188)	) (5,126)	) (3,831)	) 9,045	(148,100)
Interest expense	(107,561)	) (4,310)	) (1,324)	) (8,265)	(121,460)
Other expense	—	—	—	(13,317)	(13,317)
Gain (loss) on sales of real estate assets	3,036	—	97	(3)	3,130
Segment profit	\$198,298	\$11,405	\$3,358	\$13,462	226,523
Depreciation and amortization expense					(131,283)
General and administrative expense					(25,793)
Interest and other income					2,373
					3,339

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Equity in earnings of unconsolidated affiliates

Income tax provision					(39)
Income from continuing operations					\$75,120
Total assets	\$6,228,312	\$303,899	\$240,850	\$140,550	\$6,913,611
Capital expenditures ⁽³⁾	\$121,272	\$3,480	\$10,706	\$18,586	\$154,044

Six Months Ended June 30, 2011	Malls	Associated Centers	Community Centers	All Other ⁽²⁾	Total
Revenues	\$462,270	\$20,741	\$8,335	\$37,942	\$529,288
Property operating expenses ⁽¹⁾	(153,146)	(5,430)	(3,483)	6,414	(155,645)
Interest expense	(114,724)	(4,257)	(3,752)	(16,394)	(139,127)
Other expense	—	—	—	(15,349)	(15,349)
Gain on sales of real estate assets	4	317	379	12	712
Segment profit	\$194,404	\$11,371	\$1,479	\$12,625	219,879
Depreciation and amortization expense					(139,538)
General and administrative expense					(23,041)
Interest and other income					1,157
Gain on extinguishment of debt					581
Equity in earnings of unconsolidated affiliates					3,233
Income tax benefit					6,423
Income from continuing operations					\$68,694
Total assets	\$6,438,327	\$323,470	\$65,036	\$618,764	\$7,445,597
Capital expenditures ⁽³⁾	\$52,409	\$3,413	\$2,662	\$44,914	\$103,398

(1) Property operating expenses include property operating, 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 10 – Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their noncontrolling interests in the Operating Partnership into shares of common stock are not dilutive.

The following summarizes the impact of potential dilutive common shares on the denominator used to compute EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Denominator – basic	150,913	148,356	149,704	148,214
Stock options	—	1	—	7
Deemed shares related to deferred compensation arrangements	41	41	42	41
Denominator – diluted	150,954	148,398	149,746	148,262

The dilutive effect of stock options of 2 and 6 shares for the six months ended June 30, 2012 and 2011, respectively, were excluded from the computations of diluted EPS because the effect of including the stock options would have been anti-dilutive. The dilutive effect of stock options of 3 shares for the three months ended June 30, 2011 was excluded from the computation of diluted EPS because the effect of including the stock options would have been anti-dilutive.

See Note 15 regarding a subsequent event related to an issuance of common stock.

Note 11 – Contingencies

On March 11, 2010, The Promenade D'Iberville, LLC ("TPD"), a subsidiary of the Company, filed a lawsuit in the Circuit Court of Harrison County, Mississippi, against M. Hanna Construction Co., Inc. ("M Hanna"), Gallet & Associates, Inc., LA Ash, Inc., EMJ Corporation ("EMJ") and JEA (f/k/a Jacksonville Electric Authority), seeking damages for alleged property damage and related damages occurring at a shopping center development in D'Iberville, Mississippi. EMJ filed an answer and counterclaim denying liability and seeking to recover from TPD the retainage of approximately \$327 allegedly owed under the construction contract. Kohl's Department Stores, Inc. ("Kohl's") was granted permission to intervene in the lawsuit and, on April 13, 2011, filed a cross-claim against TPD alleging that TPD is liable to Kohl's for unspecified damages resulting from the actions of the defendants and for the failure to perform the obligations of TPD under a Site Development Agreement with Kohl's. Kohl's also made a claim against the Company which guaranteed the performance of TPD under the Site Development Agreement. The case is at the discovery stage.

TPD also has filed claims under several insurance policies in connection with this matter, and there are three pending lawsuits relating to insurance coverage. On October 8, 2010, First Mercury Insurance Company ("First Mercury") filed an action in the United States District Court for the Eastern District of Texas against M Hanna and TPD seeking a declaratory judgment concerning coverage under a liability insurance policy issued by First Mercury to M Hanna. That case was dismissed for lack of federal jurisdiction and refiled in Texas state court. On June 13, 2011, TPD filed an action in the Chancery Court of Hamilton County, Tennessee against National Union Fire Insurance Company of Pittsburgh, PA ("National Union") and EMJ seeking a declaratory judgment regarding coverage under a liability insurance policy issued by National Union to EMJ and recovery of damages arising out of National Union's breach of its obligations. In March 2012, Zurich American and Zurich American of Illinois, which also have issued liability insurance policies to EMJ, intervened in that case and the case is set for trial on October 29, 2013. On February 14, 2012, TPD filed claims in the United States District Court for the Southern District of Mississippi against Factory Mutual Insurance Company and Federal Insurance Company seeking a declaratory judgment concerning coverage under certain builders risk and property insurance policies issued by those respective insurers to the Company. Certain executive officers of the Company and members of the immediate family of Charles B. Lebovitz, Chairman of the Board of the Company, collectively have a significant non-controlling interest in EMJ, a major national construction company that the Company engaged to build a substantial number of the Company's Properties. EMJ is one of the defendants in the Harrison County, MS and Hamilton County, TN cases described above. The Company also is currently involved in certain litigation that arises in the ordinary course of business. The Company does not believe that the pending litigation will have a materially adverse effect on the Company's financial position or results of operations.

Additionally, management believes that, based on environmental studies completed to date, any exposure to environmental cleanup will not materially affect the financial position and results of operations of the Company.

The Company consolidates its investment in a joint venture, CW Joint Venture, LLC ("CWJV"), with Westfield. The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0%, which increases to 6.0% on July 1, 2013, on the preferred liquidation value of the PJV units of CWJV that are held by Westfield. Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such qualifying property (a "Preventing Event"), then the annual preferred distribution rate on the PJV units increases to 9.0% beginning July 1, 2013. The Company will have the right, but not the obligation, to offer to redeem the PJV units from January 31, 2013 through January 31, 2015 at their preferred liquidation value, plus accrued and unpaid distributions. If the Company fails to make such an offer, the annual preferred distribution rate on the PJV units increases to 9.0% for the period from July 1, 2013 through June 30, 2016, at which time it decreases to 6.0% if a Preventing Event has not occurred. If, upon redemption of the PJV units, the fair value of the Company's common stock is greater than \$32.00 per share, then such excess (but in no case greater than \$26,000 in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. The Company accounts for this contingency using

the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, the Company will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

The Company 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 the Company's investment in the joint venture. The Company may receive a fee from the joint venture for providing the guaranty. Additionally, when the Company issues a guaranty, the terms of the joint venture agreement typically provide that the Company may receive indemnification from the joint venture partner or have the ability to increase its ownership interest.

The Company owns a parcel of land in Lee's Summit, MO that it is ground leasing to a third party development company. The third party developed and operates a shopping center on the land parcel. 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, representing 27% of capacity, is approximately \$18,615. The Company recorded an obligation of \$192 as of June 30, 2012 and December 31, 2011 in the accompanying condensed consolidated balance sheets to reflect the estimated fair value of the guaranty. The total amount outstanding at June 30, 2012 on the loans was \$60,623 of which the Company has guaranteed \$16,368. The loans contain a provision that require that, on or prior to July 1, 2012, the third party developer provide reasonably satisfactory evidence to the lender that either (i) certain legislation in the state of Missouri had been amended to facilitate an additional bond issuance, the net proceeds of which would be used to further reduce the outstanding amount on the bond line of credit, or (ii) if that certain legislation had not been amended, then the third party developer, the Company and the City of Lee's Summit, Missouri, had agreed to an alternate plan in order to complete the additional bond issuance. Neither of the conditions in (i) or (ii) occurred by July 1, 2012, therefore, the loans were in default on July 1, 2012. The Company has not recorded an accrual for the contingent guaranty obligation as the Company does not believe that this contingent obligation is probable.

The Company has guaranteed 100% of the construction and land loans of West Melbourne I, LLC ("West Melbourne"), an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is \$45,572. West Melbourne developed and operates Hammock Landing, a community center in West Melbourne, FL. The total amount outstanding on the loans at June 30, 2012 was \$45,572. The guaranty will expire upon repayment of the debt. The land loan, and the construction loan, each representing \$3,085 and \$42,487, respectively, of the amount outstanding at June 30, 2012, mature in November 2013. The construction loan has a one-year extension option available. The Company recorded an obligation of \$478 in the accompanying condensed consolidated balance sheets as of June 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

The Company has guaranteed 100% of the construction loan of Port Orange, an unconsolidated affiliate in which the Company owns a 50% interest, of which the maximum guaranteed amount is \$64,950. Port Orange developed and operates The Pavilion at Port Orange, a community center in Port Orange, FL. The total amount outstanding at June 30, 2012 on the loan was \$64,950. The guaranty will expire upon repayment of the debt. The loan matures in March 2014 and has a one-year extension option available. The Company has recorded an obligation of \$961 in the accompanying condensed consolidated balance sheets as of June 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

The Company has guaranteed the lease performance of 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. The Company has guaranteed YTC's

performance under this agreement up to a maximum of \$22,000, which decreases by \$800 annually until the guaranteed amount is reduced to \$10,000. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was \$18,000 as of June 30, 2012. The Company 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 it is obligated to fund under the guaranty. The Company did not record an obligation for this guaranty because it determined that the fair value of the guaranty is not material.

Performance Bonds

The Company has issued various bonds that it would have to satisfy in the event of non-performance. The total amount outstanding on these bonds was \$21,376 and \$11,156 at June 30, 2012 and December 31, 2011, respectively.

Note 12 – Share-Based Compensation

As of June 30, 2012, there were two share-based compensation plans under which the Company can elect to make awards. The CBL & Associates Properties, Inc. 2012 Stock Incentive Plan ("the 2012 Plan") was approved by our shareholders in May 2012. The CBL & Associates Properties, Inc. Second Amended and Restated Stock Incentive Plan ("the 2003 Plan"), which was approved by our shareholders in May 2003, will expire in May 2013. The 2012 Plan is intended to replace the 2003 Plan under which the Company grants equity awards and the Company will not issue any new awards under the 2003 Plan.

Share-based compensation expense was \$729 and \$396 for the three months ended June 30, 2012 and 2011, respectively and \$1,756 and \$1,456 for the six months ended June 30, 2012 and 2011, respectively. Share-based compensation cost capitalized as part of real estate assets was \$30 and \$45 for the three months ended June 30, 2012 and 2011, respectively and \$51 and \$85 for the six months ended June 30, 2012 and 2011, respectively.

The Company's stock option activity for the six months ended June 30, 2012 is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2012	281,725	\$18.27
Expired	(15,375)	) \$18.27
Exercised	(265,350)	) \$18.27
Outstanding at June 30, 2012	1,000	\$19.90
Vested and exercisable at June 30, 2012	1,000	\$19.90

A summary of the status of the Company's stock awards as of June 30, 2012, and changes during the six months ended June 30, 2012, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2012	289,290	\$16.09
Granted	208,250	\$18.35
Vested	(86,590)	) \$16.70
Forfeited	(7,990)	) \$16.69
Nonvested at June 30, 2012	402,960	\$17.11

As of June 30, 2012, there was \$4,987 of total unrecognized compensation cost related to nonvested stock awards granted under the plan, which is expected to be recognized over a weighted average period of 3.8 years. In the second quarter of 2012, the Company granted 2,500 shares of restricted stock to its employees that will vest over the next five 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, 2012 and 2011:

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

	Six Months Ended June 30,	
	2012	2011
Additions to real estate assets from conversion of notes receivable	\$4,522	\$—
Accrued dividends and distributions payable	43,547	41,717
Additions to real estate assets accrued but not yet paid	23,107	31,721
Debt assumed to acquire real estate assets, including premiums	177,296	—

Note 14 – Income Taxes

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

As a REIT, the Company is generally not liable for federal corporate income taxes. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income taxes on its taxable income at regular corporate tax rates. Even if the Company maintains its qualification as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed income. State tax expense was \$1,094 and \$1,242 during the three months ended June 30, 2012 and 2011, respectively and \$1,571 and \$2,046 during the six months ended June 30, 2012 and 2011, respectively.

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

The Company recorded an income tax provision of \$267 and an income tax benefit of \$4,653 for the three months ended June 30, 2012 and 2011, respectively. The income tax provision in 2012 consisted of a current tax provision of \$774 and deferred tax benefit of \$507. The income tax benefit in 2011 consisted of a current tax provision of \$14 and a deferred tax benefit of \$4,667.

The Company recorded an income tax provision of \$39 and an income tax benefit of \$6,423 for the six months ended June 30, 2012 and 2011, respectively. The income tax provision in 2012 consisted of a current tax benefit of \$2,277 and deferred tax provision of \$2,316. The income tax benefit in 2011 consisted of a current and deferred tax benefit of \$1,498 and \$4,925, respectively.

The Company had a net deferred tax asset of \$7,972 and \$8,012 at June 30, 2012 and December 31, 2011, respectively. The net deferred tax asset at June 30, 2012 and December 31, 2011 is included in intangible lease assets and other assets and primarily consisted of operating expense accruals and differences between book and tax depreciation.

The Company reports any income tax penalties attributable to its properties as property operating expenses and any corporate-related income tax penalties as general and administrative expenses in its statement of operations. In addition, any interest incurred on tax assessments is reported as interest expense. The Company reported nominal interest and penalty amounts for the six month periods ended June 30, 2012 and 2011, respectively.

Note 15 – Subsequent Events

In July 2012, the Company extended to January 22, 2013 the Company's right to convert the outstanding amount of the Jinsheng secured note into 16,565,534 Series A-2 Preferred Shares of Jinsheng (see Note 5).

In July 2012, the Company sold Massard Crossing, a community center located in Fort Smith, AR, for a gross sales price of \$7,803 less commissions and customary closing costs for a net sales price of \$7,432. Proceeds from the sale were used to reduce the balance on the Company's secured credit facilities.

In July 2012, Gulf Coast closed on a ten-year \$7,000 loan with an institutional lender, secured by the third phase expansion of Gulf Coast Town Center, a shopping center located in Ft. Myers, FL. Interest on the loan is at LIBOR plus a margin of 250 basis points. The Company has guaranteed 100% of this loan. Proceeds from the loan were distributed to the Company in accordance with the terms of the joint venture agreement and the Company used these funds to reduce the balance on its secured credit facilities.

In May 2012, Jacobs exercised its conversion rights to exchange 9,757,100 common units of limited partnership interest in the Operating Partnership. The Company elected to issue 9,757,100 shares of common stock in exchange for the common units in June 2012 and registered these shares for public resale by Jacobs in July 2012 pursuant to Jacobs' exercise of its contractual registration rights.

The Company has evaluated subsequent events through the date of issuance of these financial statements.

Table of Contents

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

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

Certain statements made in this section or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the federal securities laws. All statements other than statements of historical fact should be considered to be forward-looking statements. In many cases, these forward-looking statements may be identified by the use of words such as "will," "may," "should," "could," "believes," "expects," "anticipates," "estimates," "intends," "projects," "goals," "targets," "predicts," "plans," "seeks," or similar expressions. Any forward-looking statement speaks only as of the date on which it is made and is qualified in its entirety by reference to the factors discussed throughout this report.

Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance or results and we can give no assurance that these expectations will be attained. It is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of known and unknown risks and uncertainties. In addition to the risk factors described in Part II, Item 1A. of this report, such known risks and uncertainties include, without limitation:

- general industry, economic and business conditions;
- interest rate fluctuations;
- costs and availability of capital and capital requirements;
- costs and availability of real estate;
- inability to consummate acquisition opportunities and other risks associated with acquisitions;
- competition from other companies and retail formats;
- changes in retail rental rates in our markets;
- shifts in customer demands;
- tenant bankruptcies or store closings;
- changes in vacancy rates at our properties;
- changes in operating expenses;
- changes in applicable laws, rules and regulations; and
- 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 refinancing requirements and business.

This list of risks and uncertainties is only a summary and is not intended to be exhaustive. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

EXECUTIVE OVERVIEW

We are a self-managed, self-administered, fully integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls, open-air centers, associated centers, community centers and office properties. Our properties are located in 27 states, but are 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, 2012, we owned controlling interests in 77 regional malls/open-air centers (including one mixed-use center), 29 associated centers (each located adjacent to a regional mall), six 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, 2012, we owned noncontrolling interests in ten regional malls/open-air centers, three associated centers, five community centers and six office buildings. Because one or more of the other partners

Table of Contents

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 controlling interests in the development of one outlet center and expansion of one outlet center, both of which are owned in 75/25 joint ventures at June 30, 2012. We also had controlling interests in one mall expansion, one community center development and one mall redevelopment under construction at June 30, 2012. We also hold options to acquire certain development properties owned by third parties. We experienced improvements in our key metrics in the second quarter of 2012. Portfolio occupancy increased 170 basis points over the prior year period to 92.3% across our portfolio. Average leasing spreads increased 10.0% across our portfolio compared to the same period in the prior year. Same-store sales per square foot for our stabilized malls increased 4.3% for the six months ended June 30, 2012. Significant mortgage financing activity enabled us to benefit from historically low interest rates.

RESULTS OF OPERATIONS

Properties that were in operation for the entire year during 2011 and the six months ended June 30, 2012 are referred to as the "Comparable Properties." Since January 1, 2011, we have acquired or opened three outlet centers and two malls as follows:

Property	Location	Date Opened/Acquired
New Development:		
The Outlet Shoppes at Oklahoma City ⁽¹⁾	Oklahoma City, OK	August 2011
Acquisitions:		
Northgate Mall	Chattanooga, TN	September 2011
The Outlet Shoppes at El Paso ⁽²⁾	El Paso, TX	April 2012
The Outlet Shoppes at Gettysburg ⁽³⁾	Gettysburg, PA	April 2012
Dakota Square Mall	Minot, ND	May 2012

(1) The Outlet Shoppes at Oklahoma City is a 75/25 joint venture and is included in the Company's operations on a consolidated basis.

(2) The Outlet Shoppes at El Paso is a 75/25 joint venture and is included in the Company's operations on a consolidated basis.

(3) The Outlet Shoppes at Gettysburg is a 50/50 joint venture and is included in the Company's operations on a consolidated basis.

The properties listed above are included in our results of operations on a consolidated basis and are collectively referred to as the "New Properties." The transactions related to the New Properties impact the comparison of the results of operations for the three and six months ended June 30, 2012 to the results of operations for the three and six months ended June 30, 2011.

In October 2011, we formed a joint venture, CBL/T-C, LLC, with TIAA-CREF. Upon formation of the joint venture, we began accounting for our remaining interest in three of our malls, CoolSprings Galleria, Oak Park Mall and West County Center, using the equity method of accounting. These properties were previously accounted for on a consolidated basis. These properties are collectively referred to as the "CBL/T-C Properties." This transaction impacts the comparison of the results of operations for the three and six months ended June 30, 2012 to the results of operations for the three and six months ended June 30, 2011.

Comparison of the Three Months Ended June 30, 2012 to the Three Months Ended June 30, 2011

Revenues

Total revenues decreased \$6.5 million for the three months ended June 30, 2012 compared to the prior year period. Rental revenues and tenant reimbursements decreased by \$6.2 million due to a decrease of \$23.1 million related to the CBL/T-C Properties partially offset by increases of \$12.3 million from the New Properties and \$4.6 million from the Comparable Properties. The increase in revenues of the Comparable Properties was primarily driven by a \$3.8 million increase in base rents, as a result of increases in occupancy, improvements in leasing spreads and a bankruptcy settlement from a former tenant of \$1.6 million.

Our cost recovery ratio for the quarter ended June 30, 2012 was 97.3% compared with 102.5% for the prior-year period. The decrease was primarily a result of lower tenant reimbursements due to the deconsolidation of the CBL/T-C Properties.

Other revenues decreased \$0.7 million primarily due to lower revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses decreased \$4.9 million for the three months ended June 30, 2012 compared to the prior year period. Property operating expenses, including real estate taxes and maintenance and repairs, decreased \$1.4 million due to a

Table of Contents

reduction in expenses of \$6.8 million attributable to the CBL/T-C Properties partially offset by increases of \$4.4 million of expenses attributable to the New Properties and \$1.0 million related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases of \$0.4 million in payroll and related costs, \$0.3 million in bad debt expense, and \$0.3 million for legal fees.

The decrease in depreciation and amortization expense of \$3.7 million resulted from decreases of \$8.0 million related to the CBL/T-C Properties and \$2.6 million attributable to the Comparable Properties partially offset by an increase of \$6.9 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to \$2.2 million of write-offs of unamortized tenant allowances recorded during the second quarter of 2011 related to the closure of two Borders stores.

General and administrative expenses increased \$0.8 million primarily as a result of increases of \$1.0 million in payroll and related costs and \$0.3 million for capitalized overhead related to development projects, partially offset by a decrease of \$0.5 million in consulting fees. As a percentage of revenues, general and administrative expenses were 4.7% and 4.3% for the second quarters of 2012 and 2011, respectively. Revenues declined as a result of the deconsolidation of the CBL/T-C Properties for the three months ended June 30, 2012 compared to the prior year period.

Other expenses decreased \$0.5 million primarily attributable to lower expenses of \$0.4 million related to our subsidiary that provides security and maintenance services.

Other Income and Expenses

Interest and other income increased \$0.7 million compared to the prior year period. In the second quarter of 2012, we recognized the unamortized discounts on two separate mezzanine loans totaling \$0.6 million when those loans terminated.

Interest expense decreased \$9.5 million for the three months ended June 30, 2012 compared to the prior year period. Decreases of \$8.3 million for the CBL/T-C Properties and \$4.5 million for the Comparable Properties were partially offset by an increase of \$3.3 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to a reduction in interest expense as we used our lines of credit, which had lower interest rates, to retire maturing loans and then obtained new mortgage financings which also resulted in significant interest rate savings compared with the retired loans. Our consolidated debt was \$500.9 million lower at June 30, 2012 as compared to June 30, 2011.

During the second quarter of 2012, we recognized a gain on sales of real estate assets of \$2.5 million related to the sale of two parcels of land at one of our malls. We recognized a loss on sales of real estate assets of \$0.1 million during the second quarter of 2011 related to the true-up of estimated expenses to actual amounts for outparcels sold for a gain in previous periods.

Equity in earnings of unconsolidated affiliates increased by \$0.6 million during the second quarter of 2012 compared to the prior year period. The \$0.6 million difference is attributable to increases in occupancy and base rents across the portfolio of unconsolidated affiliates partially offset by our share of the net loss from the CBL/T-C Properties, which have been accounted for using the equity method since October 2011, but were accounted for on a consolidated basis prior to that date. The CBL/T-C Properties have a net loss primarily due to significant depreciation expense.

The income tax provision of \$0.3 million for the three months ended June 30, 2012 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current tax provision of \$0.8 million and a deferred income tax benefit of \$0.5 million. During the three months ended June 30, 2011, we recorded a benefit for deferred income taxes of \$4.6 million.

The operating loss of discontinued operations for the three months ended June 30, 2012 of less than \$0.1 million represents true-ups of estimated expense to actual amounts for properties sold during previous periods. The operating loss of discontinued operations for the three months ended June 30, 2011 includes a non-cash loss on impairment of real estate of \$4.5 million related to the write-down of the book value of a community center to its then estimated fair value. The community center was sold in March 2012. Discontinued operations for the three months ended June 30, 2011 also includes the settlement of estimated expenses based on actual amounts for properties sold during previous periods.

Comparison of the Six Months Ended June 30, 2012 to the Six Months Ended June 30, 2011

Revenues

Total revenues decreased \$23.0 million for the six months ended June 30, 2012 compared to the prior year period. Rental revenues and tenant reimbursements decreased by \$22.6 million due to a decrease of \$46.1 million related to the CBL/T-C Properties partially offset by increases of \$17.1 million from the New Properties and \$6.4 million from the Comparable Properties. The increase in revenues of the Comparable Properties was primarily driven by a \$5.6 million increase in base rents, as a result of the increases in occupancy, improvements in leasing spreads and a bankruptcy settlement from a former tenant of \$1.6 million.

Our cost recovery ratio for the six months ended June 30, 2012 was 96.0% compared with 98.8% for the prior-year period. The decrease was primarily a result of lower tenant reimbursements due to the deconsolidation of the CBL/T-C Properties.

Table of Contents

Other revenues decreased \$2.0 million primarily due to lower revenues related to our subsidiary that provides security and maintenance services to third parties.

Operating Expenses

Total operating expenses decreased \$15.1 million for the six months ended June 30, 2012 compared to the prior year period. Property operating expenses, including real estate taxes and maintenance and repairs, decreased \$7.5 million due to a reduction in expenses of \$13.9 million attributable to the CBL/T-C Properties partially offset by increases of \$6.0 million of expenses attributable to the New Properties and \$0.4 million of expense related to the Comparable Properties. The increase in property operating expenses of the Comparable Properties is primarily attributable to increases of \$2.2 million in payroll and related costs, \$0.5 million in real estate taxes and \$0.4 million in legal fees partially offset by decreases of \$1.5 million in snow removal costs, \$0.5 million in land rent expense and \$0.4 million in bad debt expense.

The decrease in depreciation and amortization expense of \$8.3 million resulted from decreases of \$15.8 million related to the CBL/T-C Properties and \$1.4 million from the Comparable Properties partially offset by an increase of \$8.9 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to \$2.2 million of write-offs of unamortized tenant allowances recorded in 2011 related to the closure of two Borders stores partially offset by ongoing capital expenditures for renovations, expansions and deferred maintenance.

General and administrative expenses increased \$2.8 million primarily as a result of increases of \$2.0 million in payroll and related costs, \$0.7 million in acquisition-related costs, and \$0.3 million for capitalized overhead related to development projects, which were partially offset by a decrease of \$0.5 million in consulting fees. As a percentage of revenues, general and administrative expenses were 5.1% and 4.4% for the six months ended June 30, 2012 and 2011, respectively. The increase in general and administrative expenses as a percentage of revenues is primarily the result of the deconsolidation of the CBL/T-C Properties, which caused a reduction in revenues as compared to the prior year period.

Other expenses decreased \$2.0 million primarily due to a write-down of a mortgage note receivable of \$1.5 million recorded in 2011 to reclassify the carrying value of the mortgage note receivable to equal the estimated fair value of the land that secured the note receivable and a decrease of \$0.4 million in expenses related to our subsidiary that provides security and maintenance services.

Other Income and Expenses

Interest and other income increased \$1.2 million compared to the prior year period, primarily as a result of two mezzanine loans for two outlet centers. We earned \$0.6 million in interest income on these loans and subsequently recognized \$0.6 million of unamortized discounts on these loans when they terminated in connection with the acquisitions of member interests in both outlet centers in 2012.

Interest expense decreased \$17.7 million for the six months ended June 30, 2012 compared to the prior year period as a result of decreases of \$16.6 million attributable to the CBL/T-C Properties and \$5.7 million related to the Comparable Properties partially offset by an increase of \$4.6 million related to the New Properties. The decrease attributable to the Comparable Properties is primarily due to a reduction in interest expense as we used our lines of credit, which had lower interest rates, to retire maturing loans and then obtained new mortgage financings which also resulted in significant interest rate savings compared with the retired loans. Our consolidated debt was \$500.9 million lower at June 30, 2012 as compared to June 30, 2011.

During the six months ended June 30, 2011, we recorded a gain on extinguishment of debt of \$0.6 million as a result of accelerated premium amortization related to the early retirement of debt secured by one mall.

During the six months ended June 30, 2012, we recognized a gain on sales of real estate assets of \$3.1 million related to the sale of a vacant anchor space at one of our malls and the sale of three parcels of land. We recognized a gain on sales of real estate assets of \$0.7 million during the six months ended June 30, 2011 related to the sale of four parcels of land.

Equity in earnings of unconsolidated affiliates increased by \$0.1 million during the six months ended June 30, 2012 compared to the prior year period. The \$0.1 million difference is attributable to increases in occupancy and base rents partially offset by our share of the net loss from the CBL/T-C Properties, which have been accounted for using the equity method since October 2011, but were accounted for on a consolidated basis prior to that date. The CBL/T-C

Properties have a net loss primarily due to significant depreciation expense.

The income tax provision of less than \$0.1 million for the six months ended June 30, 2012 relates to the Management Company, which is a taxable REIT subsidiary, and consists of a current benefit of \$2.3 million and a deferred income tax provision of \$2.3 million. During the six months ended June 30, 2011, we recorded an income tax benefit of \$6.4 million, consisting of a benefit for current and deferred income taxes of \$1.5 million and \$4.9 million, respectively.

The operating loss of discontinued operations for the six months ended June 30, 2012 of \$0.1 million represents the operating results of two community centers, Oak Hollow Square and the second phase of Settlers Ridge, that were sold during the

Table of Contents

year. We also recorded a \$0.3 million loss on impairment of real estate in the first quarter of 2012 to true-up certain estimated amounts to actual amounts related to the sale of Oak Hollow Square and a gain of \$0.9 million on the sale of the second phase of Settlers Ridge in the first quarter of 2012. The results of operations of these two properties, including the gain on sale of real estate and loss on impairment of real estate, are included in discontinued operations for the six months ended June 30, 2012. Operating income of \$24.6 million from discontinued operations for the six months ended June 30, 2011 reflects the operating results of Oak Hollow Mall that was sold in February 2011. In accordance with the lender's agreement to modify the outstanding principal balance and accrued interest to equal the net sales price for the property, we recorded a gain on the extinguishment of debt of \$31.4 million in the first quarter of 2011. We also recorded a loss on impairment of real estate in the first quarter of 2011 of \$2.7 million to write down the book value of Oak Hollow Mall to the net sales price. We recorded a loss on impairment of real estate of \$4.5 million in the second quarter of 2011 to write down the book value of the second phase of Settlers Ridge to its then estimated fair value. The results of operations of this property, including the gain on extinguishment of debt and loss on impairment of real estate, are included in discontinued operations for the six months ended June 30, 2011. Discontinued operations for all periods presented include the settlement of estimated expenses based on actual amounts for properties sold during previous periods.

Same-Center Net Operating Income

We present same-center net operating income ("NOI") as a supplemental performance measure of the operating performance of our same-center properties. NOI is defined as operating revenues (rental revenues, tenant reimbursements, and other income) less property operating expenses (property operating, real estate taxes, and maintenance and repairs). We compute NOI based on our pro rata share of both consolidated and unconsolidated properties. Our definition of NOI may be different than that used by other real estate companies, and accordingly, our calculation of NOI may not be comparable to other real estate companies.

Since same-center NOI includes only those revenues and expenses related to the operations of comparable properties, we believe same-center NOI provides a measure that reflects trends in occupancy rates, rental rates, and operating costs and the impact of those trends on our results of operations. Additionally, there are instances when tenants terminate their leases prior to the scheduled expiration date and pay us lease termination fees. These one-time lease termination fees may distort same-center NOI and not be indicative of the ongoing operations of our shopping center properties. Therefore, we believe presenting same-center NOI, excluding lease termination fees, is useful to investors. We include a property in our same-center pool when we owned all or a portion of the property as of June 30, 2012 and we owned it and it was in operation for both the entire preceding calendar year and the current year-to-date reporting period ending June 30, 2012. The only properties excluded from the same-center pool that would otherwise meet this criteria are non-core properties and properties included in discontinued operations. As of June 30, 2012, we have excluded Columbia Place, Hickory Hollow Mall, and Towne Mall from our same-center pool as these are classified as non-core properties. New Properties are excluded from same-center NOI, until they meet this criteria.

Table of Contents

Due to the exclusions noted above, same-center NOI should only be used as a supplemental measure of our performance and not as an alternative to GAAP operating income (loss) or net income (loss). A reconciliation of our same-center NOI to net income attributable to the Company for the three and six months ended June 30, 2012 and 2011 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to the Company	\$29,391	\$20,376	\$55,440	\$67,695
Adjustments: ⁽¹⁾				
Depreciation and amortization	77,251	80,555	151,189	153,988
Interest expense	71,492	79,317	142,296	153,266
Abandoned projects expense	1	51	(123)	) 51
Gain on sales of real estate assets	(2,763)	) (1,149)	) (3,345)	) (1,958)
Gain on extinguishment of debt	—	—	—	(32,015)
Write-down of mortgage notes receivable	—	—	—	1,500
Loss on impairment of real estate	—	3,950	293	6,696
Income tax provision (benefit)	267	(4,653)	) 39	(6,423)
Net income attributable to noncontrolling interest in earnings of operating partnership	5,197	2,752	9,559	13,203
(Gain) loss on discontinued operations	16	(138)	) (895)	) (152)
Operating partnership's share of total NOI	180,852	181,061	354,453	355,851
General and administrative expenses	11,993	11,241	25,793	23,041
Management fees and non-property level revenues	(6,523)	) (7,857)	) (13,285)	) (10,344)
Operating partnership's share of property NOI	186,322	184,445	366,961	368,548
Non-comparable NOI	(7,957)	) (11,385)	) (13,220)	) (20,775)
Total same-center NOI	178,365	173,060	353,741	347,773
Less lease termination fees	(1,186)	) (500)	) (1,942)	) (2,014)
Total same-center NOI, excluding lease termination fees	\$177,179	\$172,560	\$351,799	\$345,759

(1) Adjustments are based on our pro rata ownership share, including our share of unconsolidated affiliates and excluding noncontrolling interests' share of consolidated properties.

Same-center NOI, excluding lease termination fees, increased \$4.6 million and \$6.0 million for the three and six month periods ending June 30, 2012 and 2011, respectively. The 2.7% increase for the quarter ended June 30, 2012 and 1.7% increase for the six months ended June 30, 2012 as compared to the same periods in the prior year are due to the continued improvement in occupancy and leasing spreads as well as a bankruptcy recovery of \$1.6 million in the second quarter of 2012.

Operational Review

The shopping center business is, to some extent, seasonal in nature with tenants typically achieving the highest levels of sales during the fourth quarter due to the holiday season, which generally results in higher percentage rents 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 three categories:

(1) Stabilized malls – Malls that have completed their initial lease-up and have been open for more than three complete calendar years.

(2) Non-stabilized malls - Malls that are in their initial lease-up phase. After three complete calendar years of operation, they are reclassified on January 1 of the fourth calendar year to the stabilized mall category. The Outlet Shoppes at Oklahoma City, which opened in August 2011, was our only non-stabilized mall as of June 30, 2012. Pearland Town Center, which opened in July 2008, was our only non-stabilized mall as of June 30, 2011.

(3) Non-core malls - Malls where we have determined that the current format of the property no longer represents the best use of the property and we are in the process of evaluating alternative strategies for the property, which may

Table of Contents

include major redevelopment or an alternative retail or non-retail format. For example, a community college recently acquired a vacant anchor space at Hickory Hollow Mall and plans to offer classes there beginning in the fall of 2012. Our non-core malls as of June 30, 2012 were Columbia Place, Hickory Hollow Mall, and Towne Mall. We did not have any malls designated as non-core as of June 30, 2011. The steps taken to reposition non-core malls, such as signing tenants to short-term leases, which are not included in occupancy percentages, or leasing to regional or local tenants, which typically do not report sales, may lead to metrics which do not provide relevant information related to the condition of the non-core properties. Therefore, traditional performance measures, such as occupancy percentages and leasing metrics, exclude non-core malls.

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,			
	2012		2011	
Malls	89.1	%	89.1	%
Associated centers	4.1	%	4.1	%
Community centers	1.7	%	1.9	%
Mortgages, office buildings and other	5.1	%	4.9	%
Mall Store Sales				

Mall store sales for our portfolio increased 2.9% and 4.3% for the three month and six month periods ended June 30, 2012, respectively, as compared to the same periods in 2011. Mall store sales for the trailing twelve months ended June 30, 2012 on a comparable per square foot basis were \$341 per square foot compared with \$328 per square foot in the prior year period, an increase of 4.0%. We anticipate sales will continue to improve at a steady pace for the remainder of 2012.

Occupancy

Our portfolio occupancy is summarized in the following table:

	As of June 30,			
	2012		2011	
Total portfolio	92.3	%	90.6	%
Total mall portfolio	92.4	%	90.4	%
Stabilized malls	92.3	%	90.5	%
Non-stabilized malls ⁽¹⁾	100.0	%	85.2	%
Associated centers	93.4	%	91.2	%
Community centers	91.1	%	91.9	%

(1) Represents occupancy for The Outlet Shoppes at Oklahoma City as of June 30, 2012 and occupancy for Pearland Town Center as of June 30, 2011. Pearland Town Center is classified as a stabilized mall in 2012.

For the second quarter of 2012, occupancy increased across our total portfolio by 170 basis points as compared to the prior year period. We anticipate that occupancy at the end of 2012 will be up 50 to 100 basis points compared to 2011 based on current leasing activity.

Leasing

During the second quarter of 2012, we signed approximately 1.2 million square feet of leases, including 1.2 million square feet of leases in our operating portfolio and less than 0.1 million square feet of development leases. The leases signed in our operating portfolio included approximately 0.4 million square feet of new leases and approximately 0.8 million square feet of renewals.

Average annual base rents per square foot are based on contractual rents in effect as of June 30, 2012 and 2011, including the impact of any rent concessions. Average annual base rents per square foot for comparable small shop space of less than 10,000 square feet were as follows for each property type:

Table of Contents

	As of June 30, 2012	2011
Stabilized malls	\$29.31	\$29.07
Non-stabilized malls ⁽¹⁾	22.64	26.18
Associated centers	11.85	12.19
Community centers	15.48	13.41
Office buildings	18.23	17.94

(1) Represents average annual base rents for The Outlet Shoppes at Oklahoma City as of June 30, 2012 and average annual base rents for Pearland Town Center as of June 30, 2011. Pearland Town Center is classified as a stabilized mall in 2012.

Results from new and renewal leasing of comparable small shop space of less than 10,000 square feet during the three and six month periods ended June 30, 2012 for spaces that were previously occupied, based on the contractual terms of the related leases inclusive of the impact of any rent concessions, are as follows:

Property Type	Square Feet	Prior Gross Rent PSF	New Initial Gross Rent PSF	% Change Initial	New Average Gross Rent PSF ⁽²⁾	% Change Average	
Quarter:							
All Property Types ⁽¹⁾	699,453	\$40.15	\$42.59	6.1	% \$44.18	10.0	%
Stabilized malls	647,723	41.78	44.44	6.4	% 46.06	10.2	%
New leases	109,772	47.86	51.24	7.1	% 54.19	13.2	%
Renewal leases	537,951	40.54	43.05	6.2	% 44.40	9.5	%
Year to Date:							
All Property Types ⁽¹⁾	1,499,471	\$38.85	\$40.80	5.0	% \$42.18	8.6	%
Stabilized malls	1,386,431	40.29	42.47	5.4	% 43.90	8.9	%
New leases	246,192	43.49	52.77	21.3	% 55.96	28.7	%
Renewal leases	1,140,239	39.60	40.25	1.6	% 41.29	4.3	%

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

(2) Average gross rent does not incorporate allowable future increases for recoverable common area expenses.

Overall, leases in the second quarter of 2012 were signed at a 10.0% increase over the prior gross rent per square foot. Leases for stabilized malls signed during the quarter saw a 10.2% increase over the prior gross rent per square foot. Renewal leasing spreads were also positive, up 9.5% compared to prior rents and new leases were signed at a 13.2% increase over prior rents. We continue to see benefits from the demand for space in our properties as supply remains constricted.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2012, we elected to pay cash of \$9.8 million in exchange for common units of limited partnership interest in the Operating Partnership to four holders of 625,952 common units upon exercise of their conversion rights. In May 2012, a holder of 9,757,100 common units of limited partnership interest in the Operating Partnership exercised its conversion rights. We elected to issue 9,757,100 shares of common stock in exchange for the common units in June 2012 and subsequent to June 30, 2012 registered these shares for public resale by the holder pursuant to the holder's exercise of its contractual registration rights.

During the six months ended June 30, 2012, we retired 16 operating property loans totaling \$403.5 million with borrowings from our secured credit facilities. We obtained financing during the six months ended June 30, 2012 for nine properties totaling \$456.2 million. We used the proceeds to retire \$63.6 million of existing loan balances and to reduce our secured credit facilities by \$359.5 million. The loans retired had a weighted average interest rate of 6.4% compared to a weighted average interest rate of 4.97% on the new loans. We also closed on an operating property loan of \$67.0 million during the second quarter of 2012, using the proceeds to repay an existing loan of \$30.8 million and reduce the balance of our secured credit facilities. During the first quarter of 2012, YTC, an unconsolidated affiliate, closed on a \$38.0 million ten-year non-recourse loan and Port Orange, an unconsolidated affiliate, closed on the

extension and modification of a \$65.0 million construction loan. Port Orange paid \$3.3 million to reduce the balance on the loan. Subsequent to June 30, 2012, Gulf Coast, an unconsolidated affiliate, closed on a \$7.0 million ten-year recourse loan.

As of June 30, 2012, we had approximately \$110.0 million outstanding on all of our credit facilities combined. Our debt

Table of Contents

to gross asset value ratio was 52.5%. Based on a rolling twelve months, our interest coverage ratio was 2.54x and our debt service coverage ratio was 1.97x. More than 80% of our debt is non-recourse and property-specific. See Debt below for additional information.

We derive a majority of our revenues from leases with retail tenants, which historically have been the primary source for funding short-term liquidity and capital needs such as operating expenses, debt service, tenant construction allowances, recurring capital expenditures, dividends and distributions. We believe that the combination of our cash flows generated from our operations, combined with our debt and equity sources and the availability under our lines of credit will, for the foreseeable future, provide adequate liquidity to meet our cash needs. In addition to these factors, we have options available to us to generate additional liquidity, including but not limited to, equity offerings, joint venture investments, issuances of noncontrolling interests in our Operating Partnership and decreasing the amount of expenditures we make related to tenant construction allowances and other capital expenditures. We also generate revenues from sales of peripheral land at the properties and from sales of real estate assets when it is determined that we can realize an optimal value for the assets.

Cash Flows From Operations

We had \$71.5 million of unrestricted cash and cash equivalents as of June 30, 2012, an increase of \$15.4 million from December 31, 2011. Cash provided by operating activities during the six months ended June 30, 2012, increased \$22.2 million to \$219.8 million from \$197.6 million during the six months ended June 30, 2011. The increase was primarily attributable to lower interest expense on our debt and the CBL/T-C Properties, which have been accounted for using the equity method since October 2011, but were accounted for on a consolidated basis prior to that date.

Debt

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

	Consolidated	Noncontrolling Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate ⁽¹⁾	
June 30, 2012						
Fixed-rate debt:						
Non-recourse loans on operating properties ⁽²⁾	\$3,835,797	\$(69,684)	) \$673,154	\$4,439,267	5.46	%
Recourse term loans on operating properties ⁽²⁾	50,308	—	—	50,308	5.83	%
Total fixed-rate debt	3,886,105	(69,684)	) 673,154	4,489,575	5.47	%
Variable-rate debt:						
Non-recourse term loans on operating properties	163,375	—	—	163,375	3.47	%
Recourse term loans on operating properties	110,296	—	126,890	237,186	3.20	%
Construction loans	28,223	—	—	28,223	3.28	%
Secured lines of credit	110,000	—	—	110,000	2.75	%
Unsecured term loans	395,209	—	—	395,209	1.88	%
Total variable-rate debt	807,103	—	126,890	933,993	2.53	%
Total	\$4,693,208	\$(69,684)	) \$800,044	\$5,423,568	4.96	%

Table of Contents

	Consolidated	Noncontrolling Interests	Unconsolidated Affiliates	Total	Weighted Average Interest Rate ⁽¹⁾	
December 31, 2011						
Fixed-rate debt:						
Non-recourse loans on operating properties ⁽²⁾	\$3,656,243	\$(30,416)	) \$658,470	\$4,284,297	5.58	%
Recourse term loans on operating properties ⁽²⁾	77,112	—	—	77,112	5.89	%
Total fixed-rate debt	3,733,355	(30,416)	) 658,470	4,361,409	5.58	%
Variable-rate debt:						
Non-recourse term loans on operating properties	168,750	—	19,716	188,466	2.88	%
Recourse term loans on operating properties	124,439	(726)	) 130,455	254,168	3.32	%
Construction loans	25,921	—	—	25,921	3.32	%
Secured lines of credit	27,300	—	—	27,300	3.03	%
Unsecured term loans	409,590	—	—	409,590	1.67	%
Total variable-rate debt	756,000	(726)	) 150,171	905,445	2.47	%
Total	\$4,489,355	\$(31,142)	) \$808,641	\$5,266,854	5.04	%

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

We have four interest rate swaps with notional amounts outstanding totaling \$115,800 as of June 30, 2012 and \$117,700 as of December 31, 2011 related to four of our variable-rate loans on operating properties to effectively fix the interest rates on these loans. Therefore, these amounts are reflected in fixed-rate debt at June 30, 2012 and December 31, 2011.

As of June 30, 2012, \$307.8 million of our pro rata share of consolidated and unconsolidated debt is scheduled to mature over the remainder of 2012. We have extension options on one operating property loan with a principal balance of \$77.5 million and a land loan with a balance of \$2.0 million that we intend to exercise, which leaves approximately \$228.2 million that will be retired or refinanced.

The weighted average remaining term of our total share of consolidated and unconsolidated debt was 4.8 years and 4.5 years at June 30, 2012 and December 31, 2011, respectively. The weighted average remaining term of our pro rata share of fixed-rate debt was 5.1 years and 5.0 years at June 30, 2012 and December 31, 2011, respectively.

As of June 30, 2012 and December 31, 2011, our pro rata share of consolidated and unconsolidated variable-rate debt represented 17.2% of our total pro rata share of debt. As of June 30, 2012, our share of consolidated and unconsolidated variable-rate debt represented 9.6% of our total market capitalization (see Equity below) as compared to 10.3% as of December 31, 2011.

See Note 4 to the condensed consolidated financial statements for a description of debt assumed in connection with acquisitions completed during the six months ended June 30, 2012.

Secured Lines of Credit

We have three secured lines of credit that are used for mortgage retirement, working capital, construction and acquisition purposes, as well as issuances of letters of credit. Each of these lines is secured by mortgages on certain of our operating properties. Borrowings under these secured lines of credit bear interest at LIBOR plus an applicable spread, ranging from 2.00% to 3.00%, based on our leverage ratio and had a weighted average interest rate of 2.75% at June 30, 2012. We also pay fees based on the amount of unused availability under our secured lines of credit at rates ranging from 0.15% to 0.35% of unused availability. The following summarizes certain information about the secured lines of credit as of June 30, 2012 (in thousands):

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Total Capacity	Total Outstanding		Maturity Date	Extended Maturity Date
\$525,000	\$—	(1)	February 2014	February 2015
520,000	110,000		April 2014	N/A
105,000	—		June 2015	June 2016
\$1,150,000	\$110,000			

(1) There was an additional \$351 outstanding on this secured line of credit as of June 30, 2012 for letters of credit. Up to \$50,000 of the capacity on this line can be used for letters of credit.

Table of Contents

In June 2012, we closed on the extension and modification of our secured credit facility with total capacity of \$105.0 million. The facility's maturity date was extended to June 2015 and has a one-year extension option, which is at our election, for an outside maturity date of June 2016. The loan bears interest at LIBOR plus a margin ranging from 1.75% to 2.75%, based on our leverage ratio.

Unsecured Term Facilities

We have an unsecured term facility that bears interest at LIBOR plus a margin ranging from 0.95% to 1.40%, based on our leverage ratio. At June 30, 2012, the outstanding borrowings of \$167.2 million under this loan had a weighted average interest rate of 1.35%. The loan was obtained for the exclusive purpose of acquiring certain properties from the Starmount Company or its affiliates. We completed our acquisition of these properties in February 2008 and, as a result, no further draws can be made against the loan. The loan matures in November 2012. 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 loan must be used to pay down any remaining outstanding balance. We anticipate using excess proceeds realized from our mortgage financings to retire this loan in 2012.

We have an unsecured term facility with total capacity of \$228.0 million that bears interest at LIBOR plus a margin ranging from 1.50% to 1.80%, based on our leverage ratio. At June 30, 2012, the outstanding borrowings of \$228.0 million under the unsecured term loan had a weighted average interest rate of 1.84%. The loan was extended for one year from April 2012 to April 2013.

Letters of Credit

We have secured and unsecured lines of credit with total availability of \$15.9 million that are used only to issue letters of credit. There was \$2.2 million outstanding under these lines at June 30, 2012.

Covenants and Restrictions

The agreements to the lines of credit contain, among other restrictions, certain financial covenants including the maintenance of certain financial coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. The Company believes that it was in compliance with all covenants and restrictions at June 30, 2012. The following presents the Company's compliance with certain of the ratios as of June 30, 2012:

Ratio	Required	Actual
Debt to Gross Asset Value	< 65%	52.5%
Interest Coverage ⁽¹⁾	> 1.75x	2.54x
Debt Service Coverage ⁽¹⁾	> 1.50x	1.97x

(1) Based on rolling twelve months.

The agreements to the \$525.0 million and \$520.0 million secured credit facilities and the two unsecured term loans described above, each with the same lead lender, contain default and cross-default provisions customary for transactions of this nature (with applicable customary grace periods) in the event (i) there is a default in the payment of any indebtedness owed by us to any institution which is a part of the lender groups for the credit facilities, or (ii) there is any other type of default with respect to any indebtedness owed by us to any institution which is a part of the lender groups for the credit facilities and such lender accelerates the payment of the indebtedness owed to it as a result of such default. The credit facility agreements provide that, upon the occurrence and continuation of an event of default, payment of all amounts outstanding under these credit facilities and those facilities with which these agreements reference cross-default provisions may be accelerated and the lenders' commitments may be terminated. Additionally, any default in the payment of any recourse indebtedness greater than \$50.0 million, or any non-recourse indebtedness greater than \$100.0 million, of the Company, the Operating Partnership and/or significant subsidiaries, as defined in the credit facilities, regardless of whether the lending institution is a part of the lender groups for the credit facilities, will constitute an event of default under the agreements to the credit facilities. We believe that we were in compliance with regard to these provisions as of June 30, 2012.

Mortgages on Operating Properties

In June 2012, we closed on a \$40.0 million ten-year non-recourse commercial mortgage-backed securities ("CMBS") loan with a fixed rate of 4.990% secured by WestGate Mall in Spartanburg, SC. Proceeds were used to pay down our secured credit facilities.

In May 2012, we closed on a \$22.0 million ten-year non-recourse loan with an insurance company at a fixed interest rate of 5.00% secured by CBL Centers I and II in Chattanooga, TN. The new loan was used to pay down our secured credit facilities, which had been used in April 2012 and February 2012 to retire the loan balances on the maturing loans on CBL Centers II and I which had principal outstanding balances of \$9.1 million and \$12.8 million, respectively.

Table of Contents

In May 2012, we closed on a \$67.0 million ten-year non-recourse CMBS loan secured by Southpark Mall in Colonial Heights, VA. The loan bears interest at a fixed rate of 4.845%. Proceeds were used to retire an existing loan secured by Southpark Mall with a balance of \$30.8 million that was scheduled to mature in May 2012 as well as to reduce outstanding borrowings on our secured credit facilities.

In May 2012, we closed on two separate ten-year non-recourse CMBS loans, including a \$71.2 million loan secured by Jefferson Mall in Louisville, KY and a \$42.0 million loan secured by Fashion Square Mall in Saginaw, MI. Both loans bear interest at a fixed interest rate of 4.75% and 4.95%, respectively. Proceeds were used to pay down our secured credit facilities.

In April 2012, we closed on a ten-year non-recourse \$122.0 million CMBS loan secured by Arbor Place in Douglasville, GA. The loan bears interest at a fixed rate of 5.099%. Proceeds were used primarily to reduce the balance on our secured credit facilities.

In April 2012, we closed on the extension and modification of a recourse mortgage loan secured by Statesboro Crossing in Statesboro, GA to extend the maturity date to February 2013 and reduce the amount available under the loan from \$20.9 million to equal the outstanding balance of \$13.6 million. The interest rate remained at one-month LIBOR plus a spread of 1%. During the first quarter of 2012, this loan had previously been extended to April 2012. During the first quarter of 2012, we closed on a \$73.0 million ten-year non-recourse CMBS loan secured by Northwoods Mall in Charleston, SC, which bears a fixed interest rate of 5.075%. Proceeds were used to reduce outstanding balances on our secured credit facilities.

Also during the first quarter of 2012, we retired 15 operating property loans with an aggregate principal balance of \$394.4 million that were secured by Arbor Place, The Landing at Arbor Place, CBL Center I, Fashion Square, Hickory Hollow Mall, The Courtyard at Hickory Hollow Mall, Jefferson Mall, Massard Crossing, Northwoods Mall, Old Hickory Mall, Pemberton Plaza, Randolph Mall, Regency Mall, WestGate Mall and Willowbrook Plaza with borrowings from our secured credit facilities. As noted above, eight of these properties were refinanced in the second quarter of 2012 and one property was refinanced in the first quarter of 2012. Massard Crossing was sold subsequent to June 30, 2012 and proceeds from the sale were used to reduce the balance on our secured credit facilities.

In the first quarter of 2012, the lender of the non-recourse mortgage loan secured by Columbia Place in Columbia, SC notified us that the loan had been placed in default. Columbia Place generates insufficient income levels to cover the debt service on the mortgage, which had a balance of \$27.3 million at June 30, 2012, and a contractual maturity date of September 2013. The lender on the loan receives the net operating cash flows of the property each month in lieu of scheduled monthly mortgage payments.

Interest Rate Hedging Instruments

During the first quarter of 2012, we entered into an interest rate cap agreement with an initial notional amount of \$125.0 million, amortizing to \$122.4 million, to hedge the risk of changes in cash flows on the borrowings of one of our properties equal to the cap notional. The interest rate cap protects us from increases in the hedged cash flows attributable to overall changes in 3-month LIBOR above the strike rate of the cap on the debt. The strike rate associated with the interest rate cap is 5.0%. The cap matures in January 2014.

Instrument Type	Location in Consolidated Balance Sheet	Outstanding Notional Amount	Designated Benchmark Interest Rate	Strike Rate	Fair Value at 6/30/12	Fair Value at 12/31/11	Maturity Date
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$55,985 (amortizing to \$48,337)	1-month LIBOR	2.149	% \$(2,903)	\$(2,674)	April 30, 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$35,047 (amortizing to \$30,276)	1-month LIBOR	2.187	% (1,861)	(1,725)	April 30, 2016
Pay fixed/Receive variable Swap	Accounts payable and accrued liabilities	\$13,104 (amortizing to \$11,313)	1-month LIBOR	2.142	% (676)	(622)	April 30, 2016
				2.236	% (638)	(596)	

Edgar Filing: CBL & ASSOCIATES PROPERTIES INC - Form 10-Q

Pay fixed/ Receive variable Swap	Accounts payable and accrued liabilities	\$11,664 (amortizing to \$10,083)	1-month LIBOR					April 30, 2016
Cap	Intangible lease assets and other assets	\$124,625 (amortizing to \$122,375)	3-month LIBOR	5.000	%	—	—	January 1, 2014

Table of Contents

Equity

During the six months ended June 30, 2012, we paid dividends of \$85.0 million to holders of our common stock and our preferred stock, as well as \$34.3 million in distributions to the noncontrolling interest investors in our Operating Partnership and other consolidated subsidiaries.

On June 1, 2012, we announced a second quarter 2012 common stock dividend of \$0.22 per share payable in cash that was paid on July 17, 2012. On February 24, 2012, we announced a first quarter 2012 common stock dividend of \$0.22 per share payable in cash that was paid on April 17, 2012. Future dividends payable will be determined by our Board of Directors based upon circumstances at the time of declaration.

Jacobs, holder of 9,757,100 common units of limited partnership interest in the Operating Partnership, exercised its conversion rights in May 2012. We elected to issue 9,757,100 shares of common stock in exchange in June 2012 and registered these shares for public resale by Jacobs in July 2012 pursuant to Jacobs' exercise of its contractual registration rights.

In the second quarter of 2012, we elected to pay cash of \$3.5 million to a holder of 194,572 common units of limited partnership interest in the Operating Partnership upon exercise of its conversion rights in the first quarter of 2012.

In the first quarter of 2012, we elected to pay cash of \$6.4 million to three holders of 431,380 common units of limited partnership interest in the Operation Partnership upon exercise of their conversion rights.

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

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of equity, our debt-to-total-market capitalization (debt plus market value of equity) ratio was 55.9% at June 30, 2012, compared to 58.7% at June 30, 2011. Our debt-to-market capitalization ratio at June 30, 2012 was computed as follows (in thousands, except stock prices):

	Shares Outstanding	Stock Price ⁽¹⁾	Value	
Common stock and operating partnership units	190,194	\$ 19.54	\$3,716,391	
7.75% Series C Cumulative Redeemable Preferred Stock	460	250.00	115,000	
7.375% Series D Cumulative Redeemable Preferred Stock	1,815	250.00	453,750	
Total market equity			4,285,141	
Company's share of total debt			5,423,568	
Total market capitalization			\$9,708,709	
Debt-to-total-market capitalization ratio			55.9	%

Stock price for common stock and Operating Partnership units equals the closing price of our common stock on (1) June 29, 2012. The stock prices for the preferred stock represent the liquidation preference of each respective series of preferred stock.

Capital Expenditures

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 a portion is recovered from tenants over a 5 to 15-year period. We recover these costs through fixed amounts with annual increases or pro rata cost reimbursements based on the tenant's occupied space. The following table summarizes these capital expenditures, including our share of unconsolidated affiliates' capital expenditures, for the three and six month periods ended June 30, 2012 compared to 2011 (dollars in thousands):

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Tenant allowances ⁽¹⁾	\$16,065	\$15,140	\$24,338	\$20,896
Renovations	4,865	8,756	5,661	9,657
Deferred maintenance:				
Parking lot and parking lot lighting	6,951	1,512	7,041	2,482
Roof repairs and replacements	2,334	1,253	3,823	1,783
Other capital expenditures	4,777	940	9,114	2,348
	14,062	3,705	19,978	6,613
	\$34,992	\$27,601	\$49,977	\$37,166

(1) Tenant allowances related to renewal leases were not material for the periods presented.

We capitalized overhead of \$1.0 million and \$1.4 million during the three months ended June 30, 2012 and 2011, respectively, and \$1.9 million and \$2.2 million during the six months ended June 30, 2012 and 2011, respectively. We capitalized \$0.6 million and \$1.4 million of interest during the three months ended June 30, 2012 and 2011, respectively, and \$1.3 million and \$2.4 million during the six months ended June 30, 2012 and 2011, respectively.

The terms of the joint venture that we formed with TIAA-CREF require us to fund certain capital expenditures related to parking decks at West County Center estimated to be \$26.4 million. As of June 30, 2012, we had funded \$7.3 million of this amount leaving \$19.1 million to be funded in 2012 and 2013.

Annual capital expenditures budgets are prepared for each of our properties that are intended to provide for all necessary recurring and non-recurring capital expenditures. We believe that property operating cash flows, which include reimbursements from tenants for certain expenses, will provide the necessary funding for these expenditures.

Developments and Expansions

The following tables summarize our development projects as of June 30, 2012 (dollars in thousands):

Properties Opened During the Six Months Ended June 30, 2012

(Dollars in thousands)

			CBL's Share of			
Property	Location	Total Project Square Feet	Total Cost ⁽¹⁾	Cost to Date ⁽²⁾	Opening Date	Initial Yield
Community Center Expansion:						
The Forum at Grandview - Phase II ⁽³⁾	Madison, MS	83,060	\$16,826	\$12,255	April-12	7.6%
Mall Redevelopment:						
Foothills Mall/Plaza - Carmike Cinemas	Maryville, TN	45,276	\$8,337	\$8,683	March-12	7.3%
Total Properties Opened		128,336	\$25,163	\$20,938		

(1) Total cost is presented net of reimbursements to be received.

(2) Cost to date does not reflect reimbursements until they are received.

(3) This property is a 75/25 joint venture. Total cost and cost to date are reflected at 100 percent.

In the second quarter of 2012, we opened the second phase of The Forum at Grandview, our 75/25 joint venture community center development in Madison, MS, which is anchored by Michaels, ULTA, HomeGoods and Petco.

Table of Contents

In the first quarter of 2012, Carmike Cinemas opened a state-of-the art 12-screen movie theater complex at Foothills Mall in Maryville, TN.

Properties Under Development at June 30, 2012

(Dollars in thousands)

Property	Location	Total Project Square Feet	CBL's Share of		Expected Opening Date	Initial Yield
			Total Cost ⁽¹⁾	Cost to Date ⁽²⁾		
Community Centers:						
Waynesville Commons	Waynesville, NC	127,585	\$9,987	\$8,171	Fall-12	10.6%
Mall Expansion:						
The Shoppes at Southaven Town Center - Phase I	Southaven, MS	15,557	\$1,755	\$9	Fall-12	17.4%
Outlet Centers:						
The Outlet Shoppes at Atlanta ⁽³⁾	Woodstock, GA	370,456	\$80,490	\$8,845	Summer-13	10.0%
The Outlet Shoppes at Oklahoma City - Phase II ⁽³⁾	Oklahoma City, OK	27,986	6,663	107	Fall-12	11.0%
		398,442	\$87,153	\$8,952		
Mall Redevelopment:						
Monroeville Mall - JC Penney/Cinemark	Pittsburgh, PA	464,792	\$26,178	\$8,029	Fall-12/Winter-13	7.6%
Total Properties Under Development		1,006,376	\$125,073	\$25,161		

(1) Total cost is presented net of reimbursements to be received.

(2) Cost to date does not reflect reimbursements until they are received.

(3) These properties are 75/25 joint ventures. Total cost and cost to date are reflected at 100 percent.

In Waynesville, NC we have under construction a community center that will be anchored by Belk along with PetSmart and Michaels, located next to an existing Wal-Mart.

Construction began on a 15,000 square foot expansion of Southaven Town Center, an open-air center. The project is scheduled for completion in late fall 2012 and is fully leased to Men's Warehouse, College Station, Torrid and Rue 21. Construction began in May 2012 on The Outlet Shoppes at Atlanta, located in Woodstock, GA. The 370,500 square foot project is already 72% leased or committed with retailers including Saks Fifth Avenue OFF 5TH, Nike, Levi's, Brooks Brothers, Converse, Cole Haan, and others. This project is a 75/25 joint venture with an initial unleveraged yield of 10%.

We began construction in May 2012 to add a second phase of 28,000 square feet to The Outlet Shoppes at Oklahoma City, located in Oklahoma City, OK. This expansion is scheduled to open in November 2012 and will feature several new tenants including Columbia Sports, Ann Taylor LOFT, Waterford, Kenneth Cole, and Lucky Brand.

The redevelopment at Monroeville Mall in Pittsburgh, PA features a new 110,000 square foot JC Penney store and a 12-screen Cinemark theater.

Renovations continue at four of our malls, including Cross Creek Mall in Fayetteville, NC; Post Oak Mall in College Station, TX; Turtle Creek Mall in Hattiesburg, MS and Mall del Norte in Laredo, TX. The projects are scheduled for completion by the end of 2012. The aggregate expenditure for these renovations is estimated to be approximately \$23.0 million. We believe our renovation program is important to the continued growth of our properties in helping to attract new retailers as well as drive traffic and sales.

We hold options to acquire certain development properties owned by third parties. Except for the projects presented above, we do not have any other material capital commitments as of June 30, 2012.

Acquisitions

On May 16, 2012, we acquired Dakota Square Mall located in Minot, ND for \$91.5 million. The total purchase price included \$32.5 million of cash and the assumption of \$59.0 million of non-recourse debt that bears interest at a fixed rate of 6.23% and matures in November 2016. We also incurred \$0.3 million of costs related to the transaction that were recorded as general and

Table of Contents

administrative expense.

In May 2012, we entered into a joint venture, Atlanta Outlet Shoppes, LLC, with a third party to develop, own, and operate The Outlet Shoppes at Atlanta, an outlet center development located in Woodstock, GA. We hold a 75% ownership interest in the joint venture. We determined that our investment in this joint venture represents a variable interest in a variable interest entity ("VIE"), and that we are the primary beneficiary. As a result, the joint venture is presented in the accompanying condensed consolidated financial statements as of June 30, 2012 on a consolidated basis, with the interests of the third party reflected as a noncontrolling interest.

On April 17, 2012, we exercised our right with our noncontrolling interest partner to convert a mezzanine loan into a member interest in The Outlet Shoppes at Gettysburg, located in Gettysburg, PA. After conversion, we own a 50.0% interest in the outlet center. Our investment of \$24.8 million consisted of a \$4.5 million converted mezzanine loan and the assumption of \$20.3 million of debt. The \$40.6 million of debt, of which our share is 50%, bears interest at a fixed rate of 5.87% and matures in February 2016.

On April 13, 2012, we acquired a 75.0% joint venture interest in The Outlet Shoppes at El Paso, an outlet shopping center located in El Paso, TX. Our investment of \$85.6 million includes cash consideration of \$35.4 million and the assumption of \$50.2 million of non-recourse debt. The \$66.9 million of debt, of which our share is 75.0%, bears interest at a fixed rate of 7.06% and matures in December 2017.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in 18 unconsolidated affiliates as of June 30, 2012 that are described in Note 5 to the condensed consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the condensed consolidated balance sheets as "Investments in Unconsolidated Affiliates." The following are circumstances when we may consider entering into a joint venture with a third party: Third parties may approach us with opportunities in which they have obtained land and performed some pre-development activities, but they may not have sufficient access to the capital resources or the development and leasing expertise to bring the project to fruition. We enter into such arrangements when we determine such a project is viable and we can achieve a satisfactory return on our investment. We typically earn development fees from the joint venture and provide management and leasing services to the property for a fee once the property is placed in operation.

We may determine that we 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.

Preferred Joint Venture Units

We consolidate our investment in a joint venture, CW Joint Venture, LLC ("CWJV"), with Westfield Group ("Westfield"). The terms of the joint venture agreement require that CWJV pay an annual preferred distribution at a rate of 5.0%, which increases to 6.0% on July 1, 2013, on the preferred liquidation value of the perpetual preferred joint venture units ("PJV units") of CWJV that are held by Westfield. Westfield has the right to have all or a portion of the PJV units redeemed by CWJV with property owned by CWJV, and subsequent to October 16, 2012, with either cash or property owned by CWJV, in each case for a net equity amount equal to the preferred liquidation value of the PJV units. At any time after January 1, 2013, Westfield may propose that CWJV acquire certain qualifying property that would be used to redeem the PJV units at their preferred liquidation value. If CWJV does not redeem the PJV units with such qualifying property (a "Preventing Event"), then the annual preferred distribution rate on the PJV units increases to 9.0% beginning July 1, 2013. We will have the right, but not the obligation, to offer to redeem the PJV units from January 31, 2013 through January 31, 2015 at their preferred liquidation value, plus accrued and unpaid distributions. If we fail to make such an offer, the annual preferred distribution rate on the PJV units increases to 9.0% for the period from July 1, 2013 through June 30, 2016, at which time it decreases to 6.0% if a Preventing Event has not occurred. If, upon redemption of the PJV units, the fair value of our common stock is greater than \$32.00 per

share, then such excess (but in no case greater than \$26.0 million in the aggregate) shall be added to the aggregate preferred liquidation value payable on account of the PJV units. We account for this contingency using the method prescribed for earnings or other performance measure contingencies. As such, should this contingency result in additional consideration to Westfield, we will record the current fair value of the consideration issued as a purchase price adjustment at the time the consideration is paid or payable.

Guarantees

We may guarantee the debt of a joint venture primarily because it allows the joint venture to obtain funding at a lower cost

Table of Contents

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 or have the ability to increase our ownership interest.

We own a parcel of land in Lee's Summit, MO that we are ground leasing to a third party development company. The third party developed and operates a shopping center on the land parcel. We have guaranteed 27% of the third party's construction loan and bond line of credit (the "loans") of which the maximum guaranteed amount, representing 27% of capacity, is approximately \$18.6 million. The total amount outstanding at June 30, 2012 on the loans was \$60.6 million of which we have guaranteed \$16.4 million. We reported an obligation of \$0.2 million as of June 30, 2012 and December 31, 2011 in the accompanying condensed consolidated balance sheets to reflect the estimated fair value of the guaranty. The loans contain a provision that require that, on or prior to July 1, 2012, the third party developer provide reasonably satisfactory evidence to the lender that either (i) certain legislation in the state of Missouri had been amended to facilitate an additional bond issuance, the net proceeds of which would be used to further reduce the outstanding amount on the bond line of credit, or (ii) if that certain legislation had not been amended, then the third party developer, the Company and the City of Lee's Summit, Missouri, had agreed to an alternate plan in order to complete the additional bond issuance. Neither of the conditions in (i) or (ii) occurred by July 1, 2012, therefore, the loans were in default on July 1, 2012. We did not record an accrual for the contingent guaranty obligation as we do not believe that this contingent obligation is probable.

We have guaranteed 100% of the construction and land loans of West Melbourne I, LLC ("West Melbourne"), an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is \$45.6 million. West Melbourne developed and operates Hammock Landing, a community center in West Melbourne, FL. The total amount outstanding on the loans at June 30, 2012 was \$45.6 million. The guaranty will expire upon repayment of the debt. The land loan, and the construction loan, each representing \$3.1 million and \$42.5 million, respectively, of the amount outstanding at June 30, 2012, mature in November 2013. The construction loan has a one-year extension option available. We recorded an obligation of \$0.5 million in the accompanying condensed consolidated balance sheets as of June 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

We have guaranteed 100% of the construction loan of Port Orange, an unconsolidated affiliate in which we own a 50% interest, of which the maximum guaranteed amount is \$65.0 million. Port Orange developed and operates The Pavilion at Port Orange, a community center in Port Orange, FL. The total amount outstanding at June 30, 2012 on the loan was \$65.0 million. The guaranty will expire upon repayment of the debt. The loan matures in March 2014 and has a one-year extension option available. We recorded an obligation of \$1.0 million in the accompanying condensed consolidated balance sheets as of June 30, 2012 and December 31, 2011 to reflect the estimated fair value of this guaranty.

We have guaranteed the lease performance of 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 \$18.0 million as of June 30, 2012. 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.

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, 2011. 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

Table of Contents

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 in accordance with underlying lease terms.

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 acquisition method of accounting and accordingly, the results of operations are included in the condensed 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 impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value. We estimate fair value using the undiscounted cash flows expected to be generated by each property, which are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates, among others. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved.

In March 2012, we recognized a loss on impairment of real estate assets of \$0.3 million related to the sale of Oak Hollow Square due to the true-up of certain estimated amounts to actual amounts. The loss on impairment is recorded in operating income of discontinued operations for the six months ended June 30, 2012.

In June 2011, we incurred a loss on impairment of real estate assets of \$4.5 million related to the second phase of Settlers Ridge to write down the book value to its then estimated fair value. This property was sold in the first quarter of 2012 and the loss

Table of Contents

on impairment is recorded in operating income of discontinued operations for the six months ended June 30, 2011.

In February 2011, we incurred a loss on impairment of real estate assets of \$2.7 million related to the disposition of Oak Hollow Mall to write down the book value of the property to the net sales price. The loss on impairment is recorded in operating income of discontinued operations for the six months ended June 30, 2011.

Allowance for Doubtful Accounts

We periodically perform a detailed review of amounts due from tenants and others to determine if accounts receivable balances are impaired based on factors affecting the collectibility of those balances. Our estimates of the allowance for doubtful accounts requires significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income. We recorded a provision for doubtful accounts of \$1.3 million and \$1.5 million for the six months ended June 30, 2012 and 2011, respectively.

Investments in Unconsolidated Affiliates

We evaluate our joint venture arrangements to determine whether they should be recorded on a consolidated basis. The percentage of ownership interest in the joint venture, an evaluation of control and whether a VIE exists are all considered in the consolidation assessment.

Initial investments in joint ventures that are in economic substance a capital contribution to the joint venture are recorded in an amount equal to our historical carryover basis in the real estate contributed. Initial investments in joint ventures that are in economic substance the sale of a portion of our interest in the real estate are accounted for as a contribution of real estate recorded in an amount equal to our historical carryover basis in the ownership percentage retained and as a sale of real estate with profit recognized to the extent of the other joint venturers' interests in the joint venture. Profit recognition assumes that we have no commitment to reinvest with respect to the percentage of the real estate sold and the accounting requirements of the full accrual method are met.

We account for our investment in joint ventures where we own a noncontrolling interest or where we are not the primary beneficiary of a VIE using the equity method of accounting. Under the equity method, our cost of investment is adjusted for our share of equity in the earnings of the unconsolidated affiliate and reduced by distributions received. Generally, distributions of cash flows from operations and capital events are first made to partners to pay cumulative unpaid preferences on unreturned capital balances and then to the partners in accordance with the terms of the joint venture agreements.

Any differences between the cost of our investment in an unconsolidated affiliate and our underlying equity as reflected in the unconsolidated affiliate's financial statements generally result from costs of our investment that are not reflected on the unconsolidated affiliate's financial statements, capitalized interest on our investment and our share of development and leasing fees that are paid by the unconsolidated affiliate to us for development and leasing services provided to the unconsolidated affiliate during any development periods. The net difference between our investment in unconsolidated affiliates and the underlying equity of unconsolidated affiliates is generally amortized over a period of 40 years.

On a periodic basis, we assess whether there are any indicators that the fair value of our investments in unconsolidated affiliates may be impaired. An investment is impaired only if our estimate of the fair value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair value for each investment are based on a number of assumptions such as future leasing expectations, operating forecasts, discount rates and capitalization rates, among others. These

assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the fair values estimated in the impairment analyses may not be realized.

No impairments of investments in unconsolidated affiliates were incurred during the three and six month periods ended June 30, 2012 and 2011.

Recent Accounting Pronouncements

Accounting Guidance Adopted

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No.

23

Table of Contents

2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). The objective of ASU 2011-04 is to align fair value measurements and related disclosure requirements under GAAP and International Financial Reporting Standards ("IFRSs"), thus improving the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. For public entities, this guidance was effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. The adoption of ASU 2011-04 did not have a material impact on our condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"). The objective of this accounting update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but continuous statements of net income and other comprehensive income. For public entities, this guidance was effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 ("ASU 2011-12"). This guidance defers the changes in ASU 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. Other requirements of ASU 2011-05 are not affected by ASU 2011-12. The guidance in ASU 2011-12 was effective at the same time as ASU 2011-05 so that entities would not be required to comply with the presentation requirements in ASU 2011-05 that ASU 2011-12 deferred. The adoption of this guidance changed the presentation format of our condensed consolidated financial statements but did not have an impact on the amounts reported in those statements.

In December 2011, the FASB issued ASU No. 2011-10, Derecognition of in Substance Real Estate - a Scope Clarification ("ASU 2011-10"). This guidance applies to the derecognition of in substance real estate when the parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate because of a default by the subsidiary on its nonrecourse debt. Under ASU 2011-10, the reporting entity should apply the guidance in Accounting Standards Codification ("ASC") 360-20, Property, Plant and Equipment - Real Estate Sales, to determine whether it should derecognize the in substance real estate. Generally, the requirements to derecognize in substance real estate would not be met before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. Thus, even if the reporting entity ceases to have a controlling financial interest under ASC 810-10, Consolidation - Overall, it would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. ASU 2011-10 should be applied on a prospective basis to deconsolidation events occurring after the effective date. For public companies, this guidance is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. We elected to adopt ASU 2011-10 effective January 1, 2012. The adoption of this guidance did not have an impact on our condensed consolidated financial statements.

Impact of Inflation/Deflation

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

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

Funds From Operations

Funds from Operations ("FFO") is a widely used measure of the operating performance of real estate companies that supplements net income (loss) determined in accordance with GAAP. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) (computed in accordance with GAAP) excluding gains or losses on sales of operating properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures and noncontrolling interests. Adjustments for unconsolidated partnerships and joint ventures and noncontrolling interests are calculated

Table of Contents

on the same basis. In October 2011, NAREIT clarified that FFO should exclude the impact of losses on impairment of depreciable properties. The Company has calculated FFO for all periods presented with this clarification. We define FFO allocable to common shareholders as defined above by NAREIT less dividends on preferred stock. Our method of calculating FFO allocable to common shareholders may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

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

We present both FFO of our Operating Partnership and FFO allocable to common shareholders, as we believe that both are useful performance measures. We believe FFO of our Operating Partnership is a useful performance measure since we conduct substantially all of our business through our Operating Partnership and, therefore, it reflects the performance of the properties in absolute terms regardless of the ratio of ownership interests of our common shareholders and the noncontrolling interest in our Operating Partnership. We believe FFO allocable to common shareholders is a useful performance measure because it is the performance measure that is most directly comparable to net income (loss) attributable to common shareholders.

In our reconciliation of net income (loss) attributable to common shareholders to FFO allocable to common shareholders that is presented below, we make an adjustment to add back noncontrolling interest in income (loss) 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 held by noncontrolling interests 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 (loss) for purposes of evaluating our operating performance or to cash flow as a measure of liquidity.

During the six months ended June 30, 2011, we recorded a gain on extinguishment of debt from discontinued operations. Considering the significance and nature of this item, we believe that it is important to identify the impact of the change on our FFO measures for a reader to have a complete understanding of our results of operations. Therefore, we have also presented our FFO measure excluding this item.

FFO of the Operating Partnership increased to \$100.8 million during the three months ended June 30, 2012 compared to \$94.7 million in the prior year period. FFO of the Operating Partnership decreased to \$193.3 million during the six months ended June 30, 2012 compared to \$217.4 million for the same period in 2011. During the six months ended June 30, 2011, we recorded a \$32.0 million gain on extinguishment of debt reported in operating income of discontinued operations. Excluding the gain on extinguishment of debt, FFO of the Operating Partnership for the six months ended June 30, 2012 was \$193.3 million as compared to \$185.3 million for the six months ended June 30, 2011, an increase of \$8.0 million. FFO was positively impacted by lower interest expense related to our favorable operating mortgage financings as well as a reduction in overall debt.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to common shareholders	\$18,797	\$9,782	\$34,252	\$46,507
Noncontrolling interest in income of operating partnership	5,197	2,752	9,559	13,203
Depreciation and amortization expense of:				
Consolidated properties	68,126	71,839	131,283	139,538
Unconsolidated affiliates	11,008	8,597	22,119	14,112
Discontinued operations	—	272	116	640
Non-real estate assets	(471)	(589)	(888)	(1,227)
Noncontrolling interests' share of depreciation and amortization	(1,883)	(153)	(2,329)	(302)
Loss on impairment of real estate, net of tax benefit	—	2,256	196	5,002
Gain on depreciable property	—	—	(493)	—
(Gain) loss on discontinued operations	8	(103)	(557)	(117)
Funds from operations of the operating partnership	100,782	94,653	193,258	217,356
Gain on extinguishment of debt from discontinued operations	—	—	—	(32,015)
Funds from operations of the operating partnership, as adjusted	\$100,782	\$94,653	\$193,258	\$185,341

The reconciliations of FFO of the Operating Partnership to FFO allocable to Company shareholders, including and excluding the gain on extinguishment of debt from discontinued operations, are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Funds from operations of the operating partnership	\$100,782	\$94,653	\$193,258	\$217,356
Percentage allocable to common shareholders ⁽¹⁾	79.33 %	77.93 %	78.72 %	77.89 %
Funds from operations allocable to common shareholders	\$79,950	\$73,763	\$152,133	\$169,299
Funds from operations of the operating partnership, as adjusted	\$100,782	\$94,653	\$193,258	\$185,341
Percentage allocable to common shareholders ⁽¹⁾	79.33 %	77.93 %	78.72 %	77.89 %
Funds from operations allocable to Company shareholders, as adjusted	\$79,950	\$73,763	\$152,133	\$144,362

Represents the weighted average number of common shares outstanding for the period divided by the sum of the (1) weighted average number of common shares and the weighted average number of Operating Partnership units held by noncontrolling interests during the period.

Table of Contents

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risk exposures, including interest rate risk and foreign exchange rate risk. The following discussion regarding our risk management activities includes forward-looking statements that involve risk and uncertainties. Estimates of future performance and economic conditions are reflected assuming certain changes in interest and foreign exchange rates. Caution should be used in evaluating our overall market risk from the information presented below, as actual results may differ. We employ various derivative programs to manage certain portions of our market risk associated with interest rates. See Note 6 of the notes to condensed consolidated financial statements for further discussions of the qualitative aspects of market risk, including derivative financial instrument activity.

Interest Rate Risk

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at June 30, 2012, a 0.5% increase or decrease in interest rates on variable rate debt would decrease or increase annual cash flows by approximately \$4.7 million and \$2.3 million, respectively, and increase or decrease annual interest expense, after the effect of capitalized interest, by approximately \$4.6 million and \$2.2 million, respectively.

Based on our proportionate share of total consolidated and unconsolidated debt at June 30, 2012, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$117.4 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$83.2 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 Control over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

On March 11, 2010, The Promenade D'Iberville, LLC ("TPD"), a subsidiary of the Company, filed a lawsuit in the Circuit Court of Harrison County, Mississippi, against M. Hanna Construction Co., Inc. ("M Hanna"), Gallet & Associates, Inc., LA Ash, Inc., EMJ Corporation ("EMJ") and JEA (f/k/a Jacksonville Electric Authority), seeking damages for alleged property damage and related damages occurring at a shopping center development in D'Iberville, Mississippi. EMJ filed an answer and counterclaim denying liability and seeking to recover from TPD the retainage of approximately \$0.3 million allegedly owed under the construction contract. Kohl's Department Stores, Inc. ("Kohl's") was granted permission to intervene in the lawsuit and, on April 13, 2011, filed a cross-claim against TPD alleging that TPD is liable to Kohl's for unspecified damages resulting from the actions of the defendants and for the failure to perform the obligations of TPD under a Site Development Agreement with Kohl's. Kohl's also made a claim against the Company, which guaranteed the performance of TPD under the Site Development Agreement. The case is at the discovery stage.

TPD also has filed claims under several insurance policies in connection with this matter, and there are three pending lawsuits relating to insurance coverage. On October 8, 2010, First Mercury Insurance Company ("First Mercury") filed an action in the United

Table of Contents

States District Court for the Eastern District of Texas against M Hanna and TPD seeking a declaratory judgment concerning coverage under a liability insurance policy issued by First Mercury to M Hanna. That case was dismissed for lack of federal jurisdiction and refiled in Texas state court. On June 13, 2011, TPD filed an action in the Chancery Court of Hamilton County, Tennessee against National Union Fire Insurance Company of Pittsburgh, PA (“National Union”) and EMJ seeking a declaratory judgment regarding coverage under a liability insurance policy issued by National Union to EMJ and recovery of damages arising out of National Union's breach of its obligations. In March 2012, Zurich American and Zurich American of Illinois, which also have issued liability insurance policies to EMJ, intervened in that case and the case is set for trial on October 29, 2013. On February 14, 2012, TPD filed claims in the United States District Court for the Southern District of Mississippi against Factory Mutual Insurance Company and Federal Insurance Company seeking a declaratory judgment concerning coverage under certain builders risk and property insurance policies issued by those respective insurers to the Company.

Certain executive officers of the Company and members of the immediate family of Charles B. Lebovitz, Chairman of the Board of the Company, collectively have a significant non-controlling interest in EMJ, a major national construction company that the Company engaged to build a substantial number of the Company's properties. EMJ is one of the defendants in the Harrison County, MS and Hamilton County, TN cases described above.

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

ITEM 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, 2011, by providing information that is current as of June 30, 2012:

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, acts of violence, war or terrorism, declines in residential real estate activity and other factors which tend to reduce consumer spending on retail goods.

Adverse changes in levels of consumer spending, consumer confidence and seasonal spending (especially during the holiday season when many retailers generate a disproportionate amount of their annual profits).

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

Table of Contents

properties.

Any inability to obtain sufficient financing (including construction financing and permanent debt), or the inability to obtain such financing on commercially favorable terms, to fund repayment of maturing loans, 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. In addition, current economic and capital market conditions might make it more difficult for us to sell properties or might adversely affect the price we receive for properties that we do sell, as prospective buyers might experience increased costs of debt financing or other difficulties in obtaining debt financing.

Moreover, there are some limitations under federal income tax laws applicable to REITs that limit our ability to sell assets. In addition, because our properties are generally mortgaged to secure our debts, we may not be able to obtain a release of a lien on a mortgaged property without the payment of the associated debt and/or a substantial prepayment penalty, which restricts our ability to dispose of a property, even though the sale might otherwise be desirable. Furthermore, the number of prospective buyers interested in purchasing shopping centers is limited. Therefore, if we want to sell one or more of our properties, we may not be able to dispose of it in the desired time period and may receive less consideration than we originally invested in the property.

Before a property can be sold, we may 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 for various reasons including, but not limited to, credit disruptions that require the Company to conserve its cash until the capital markets stabilize or alternative credit or funding arrangements can be made. Developments or expansions also include the risk that construction costs of a project may exceed original estimates, possibly making the project unprofitable. 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.

When we elect not to proceed with a development opportunity, the development costs ordinarily are 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 27 malls, 11 associated centers, nine community centers and eight office buildings. We manage all but six of these properties. Governor's Square, Governor's Plaza, Kentucky Oaks, The Outlet Shoppes at Oklahoma City, The Outlet Shoppes at El Paso, and The Outlet Shoppes at Gettysburg are all owned by joint ventures and are managed by a property

Table of Contents

manager that is affiliated with the third party partner. The property manager performs the property management and leasing services for these six 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 (or equivalent) of the entities that own our properties, we may have certain fiduciary responsibilities to the other owners of those entities. In certain cases, the approval or consent of the other owners 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 (or equivalent), 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 entity 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.

Bankruptcy of joint venture partners could impose delays and costs on us with respect to the jointly owned retail properties.

In addition to the possible effects on our joint ventures of a bankruptcy filing by us, the bankruptcy of one of the other investors in any of our jointly owned shopping centers could materially and adversely affect the relevant property or properties. Under the bankruptcy laws, we would be precluded from taking some actions affecting the estate of the other investor without prior approval of the bankruptcy court, which would, in most cases, entail prior notice to other parties and a hearing in the bankruptcy court. At a minimum, the requirement to obtain court approval may delay the actions we would or might want to take. If the relevant joint venture through which we have invested in a property has incurred recourse obligations, the discharge in bankruptcy of one of the other investors might result in our ultimate liability for a greater portion of those obligations than we would otherwise bear.

We may incur significant costs related to compliance with environmental laws, which could have a material adverse effect on our results of operations, cash flows 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 cost associated with the development and implementation of such programs was not material. We have also obtained environmental insurance coverage at certain of our properties.

Table of Contents

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. As of June 30, 2012, we have recorded in our financial statements a liability of \$3.0 million related to potential future asbestos abatement activities at our properties which are not expected to have a material impact on our financial condition or results of operations. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of our present or former properties. Therefore, we have not recorded any liability related to hazardous or toxic substances. Nevertheless, it is possible that the environmental assessments available to us do not reveal all potential environmental liabilities. It is also possible that subsequent investigations will identify material contamination, that adverse environmental conditions have arisen subsequent to the performance of the environmental assessments, or that there are material environmental liabilities of which management is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the properties has not been or will not be affected by tenants and occupants of the properties, by the condition of properties in the vicinity of the properties or by third parties unrelated to us, the Operating Partnership or the relevant property's partnership.

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

Future terrorist attacks in the United States, and other acts of violence, including terrorism or war, might result in declining consumer confidence and spending, which could harm the demand for goods and services offered by our tenants and the values of our properties, and might adversely affect an investment in our securities. A decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates and, to the extent our tenants are affected, could adversely affect their ability to continue to meet obligations under their existing leases. Terrorist activities also could directly affect the value of our properties through damage, destruction or loss. Furthermore, terrorist acts might result in increased volatility in national and international financial markets, which could limit our access to capital or increase our cost of obtaining capital.

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

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

Any future common stock offerings and common stock dividends may result in dilution of our common stock.

We are not restricted by our organizational documents, contractual arrangements or otherwise from issuing additional common stock, including any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, common stock or any substantially similar securities in the future. Future sales or issuances of

substantial amounts of our common stock may be at prices below the then-current market price of our common stock and may adversely impact the market price of our common stock. Additionally, the market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after a common stock offering or the perception that such sales could occur.

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

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

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;
- impairment charges affecting the carrying value of one or more of our properties or other assets;

Table of Contents

publication of research reports about us, the retail industry or the real estate industry generally;
increases in market interest rates that lead purchasers of our securities to seek higher dividend or interest rate yields;
changes in market valuations of similar companies;
adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
additions or departures of key management personnel;
actions by institutional security holders;
proposed or adopted regulatory or legislative changes or developments;
speculation in the press or investment community;
the occurrence of any of the other risk factors included in, or incorporated by reference in, this report; and
general market and economic conditions.

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

The issuance of additional preferred stock may adversely affect the earnings per share available to common shareholders and amounts available to common shareholders for payments of dividends.

We are not restricted by our organizational documents, contractual arrangements or otherwise from issuing additional preferred shares, including any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, preferred stock or any substantially similar securities in the future.

Competition 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;
television shopping networks; and
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.

We compete with many commercial developers, real estate companies and major retailers for prime development locations and for tenants. New regional malls or other retail shopping centers with more convenient locations or better rents may attract tenants or cause them to seek more favorable lease terms at, or prior to, renewal.

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

Table of Contents

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

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

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

Regional malls are typically anchored by well-known department stores and other significant tenants who generate shopping traffic at the mall. A decision by an anchor tenant or other significant tenant to cease operations at one or more properties could have a material adverse effect on those properties and, by extension, on our financial condition and results of operations. The closing of an anchor or other significant tenant may allow other anchors and/or tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. In addition, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-tenant the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved, reducing the likelihood that we would be able to sell the properties if we decided to do so, or we may be required to incur redevelopment costs in order to successfully obtain new anchors or other significant tenants when such vacancies exist.

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

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the amount of the impairment charge is equal to the excess of the asset's carrying value over its estimated fair value, which could have a material adverse effect on our financial results in the accounting period in which the adjustment is made. Our estimates of undiscounted cash flows expected to be generated by each property are based on a number of assumptions such as leasing expectations, operating budgets, estimated useful lives, future maintenance expenditures, intent to hold for use and capitalization rates. These assumptions are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analyses may not be achieved.

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

Increased inflation could have a pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely

affect tenant leases with stated rent increases, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable.

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

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

Certain properties that we originally acquired from third parties had unrealized gain attributable to the difference between the fair market value of such properties and the third parties' adjusted tax basis in the properties immediately prior to their contribution

Table of Contents

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

RISKS RELATED TO DEBT AND FINANCIAL MARKETS

A deterioration of the capital and credit markets could adversely affect our ability to access funds and the capital needed to refinance debt or obtain new debt.

We are significantly dependent upon external financing to fund the growth of our business and ensure that we meet our debt servicing requirements. Our access to financing depends on the willingness of lending institutions to grant credit to us and conditions in the capital markets in general. An economic recession may cause extreme volatility and disruption in the capital and credit markets. We rely upon our largest credit facilities as sources of funding for numerous transactions. Our access to these funds is dependent upon the ability of each of the participants to the credit facilities to meet their funding commitments. When markets are volatile, access to capital and credit markets could be disrupted over an extended period of time and many financial institutions may not have the available capital to meet their previous commitments. The failure of one or more significant participants to our credit facilities to meet their funding commitments could have an adverse affect on our financial condition and results of operations. This may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. Although we have successfully obtained debt for refinancings of our maturing debt, acquisitions and the construction of new developments in the past, we cannot make any assurances as to whether we will be able to obtain debt in the future, or that the financing options available to us will be on favorable or acceptable

terms.

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

At June 30, 2012, our total share of consolidated and unconsolidated debt outstanding was approximately \$5,423.6 million, which represented approximately 55.9% of our total market capitalization at that time, and our total share of consolidated and unconsolidated debt maturing in 2012, 2013 and 2014, giving effect to all maturity extensions that are available at our election, was approximately \$228.2 million, \$727.2 million and \$369.4 million, respectively. Our significant leverage could have important consequences. For example, it could:

- result in the acceleration of a significant amount of debt for non-compliance with the terms of such debt or, if such debt contains cross-default or cross-acceleration provisions, other debt;
- result in the loss of assets due to foreclosure or sale on unfavorable terms, which could create taxable income without

Table of Contents

accompanying cash proceeds;

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

• require us to dedicate a substantial portion of our cash flow to paying principal and interest on our indebtedness, reducing the cash flow available to fund our business, to pay dividends, including those necessary to maintain our REIT qualification, or to use for other purposes;

• increase our vulnerability to an economic downturn;

• limit our ability to withstand competitive pressures; or

• reduce our flexibility to respond to changing business and economic conditions.

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

Rising interest rates could both increase our borrowing costs, thereby adversely affecting our cash flows 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.

As of June 30, 2012, our total share of consolidated and unconsolidated variable rate debt was \$934.0 million. Increases in interest rates will increase our cash interest payments on the variable rate debt we have outstanding from time to time. If we do not have sufficient cash flow from operations, we might not be able to make all required payments of principal and interest on our debt, which could result in a default or have a material adverse effect on our financial condition and results of operations, and which might adversely affect our cash flow and our ability to make distributions to shareholders. These significant debt payment obligations might also require us to use a significant portion of our cash flow from operations to make interest and principal payments on our debt rather than for other purposes such as working capital, capital expenditures or distributions on our common equity.

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 both units of limited partnership in the Operating Partnership and shares of our common stock owned by such members of senior management). If the failure of one or more of these conditions resulted in the loss of these credit facilities and we were unable to obtain suitable replacement financing, such loss could have a material, adverse impact on our financial position and results of operations.

Our hedging arrangements might not be successful in limiting our risk exposure, and we might be required to incur expenses in connection with these arrangements or their termination that could harm our results of operations or

financial condition.

From time to time, we use interest rate hedging arrangements to manage our exposure to interest rate volatility, but these arrangements might expose us to additional risks, such as requiring that we fund our contractual payment obligations under such arrangements in relatively large amounts or on short notice. Developing an effective interest rate risk strategy is complex, and no strategy can completely insulate us from risks associated with interest rate fluctuations. We cannot assure you that our hedging activities will have a positive impact on our results of operations or financial condition. We might be subject to additional costs, such as transaction fees or breakage costs, if we terminate these arrangements. In addition, although our interest rate risk management policy establishes minimum credit ratings for counterparties, this does not eliminate the risk that a counterparty might fail to honor its obligations, particularly given current market conditions.

Table of Contents

The covenants in our credit facilities might adversely affect us.

Our credit facilities require us to satisfy certain affirmative and negative covenants and to meet numerous financial tests. The financial covenants under the credit facilities require, among other things, that our Debt to Gross Asset Value ratio, as defined in the agreements to our credit facilities, be less than 65%, that our Interest Coverage ratio, as defined, be greater than 1.75, and that our Debt Service Coverage ratio, as defined, be greater than 1.50. Compliance with each of these ratios is dependent upon our financial performance. The Debt to Gross Asset Value ratio is based, in part, on applying a capitalization rate to our earnings before income taxes, depreciation and amortization (“EBITDA”), as defined in the agreements to our credit facilities. Based on this calculation method, decreases in EBITDA would result in an increased Debt to Gross Asset Value ratio, although overall debt levels remain constant. As of June 30, 2012, the Debt to Gross Asset Value ratio was 52.5% and we believe we were in compliance with all other covenants related to our credit facilities. Based on a rolling twelve months, our interest coverage ratio was 2.54x and our debt service coverage ratio was 1.97x.

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 47.6% of our total revenues from all properties for the six months ended June 30, 2012 and currently include 43 malls, 20 associated centers, eight community centers and 18 office buildings. Our properties located in the midwestern United States accounted for approximately 32.6% of our total revenues from all properties for the six months ended June 30, 2012 and currently include 27 malls and four 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. While we already have properties located in seven states across the southwestern, northeastern and western regions, 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; Chattanooga, TN; Kansas City (Overland Park), KS; and Madison, WI metropolitan areas, which are our five largest markets.

Our properties located in the St. Louis, MO; Nashville, TN; Chattanooga, TN; Kansas City (Overland Park), KS; and Madison, WI metropolitan areas accounted for approximately 9.3%, 3.8%, 3.5%, 3.1% and 3.0%, respectively, of our total revenues for the six months ended June 30, 2012. No other market accounted for more than 2.7% of our total revenues for the six months ended June 30, 2012. Our financial position and results of operations will therefore be affected by the results experienced at properties located in these metropolitan areas.

RISKS RELATED TO INTERNATIONAL INVESTMENTS

Ownership interests in investments or joint ventures outside the United States present numerous risks that differ from those of our domestic investments.

International development and ownership activities yield additional risks that differ from those related to our domestic properties and operations. These additional risks include, but are not limited to:

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

Table of Contents

Our international activities are currently limited in their scope. We have an investment in a mall operating and real estate development company in China that is immaterial to our consolidated financial position. However, should our investments in international joint ventures or other international developments grow, these additional risks could increase in significance and adversely affect our results of operations.

RISKS RELATED TO DIVIDENDS

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

Depending upon our liquidity needs, we reserve the right to pay any or all of a dividend in a combination of cash and shares of common stock, in accordance with applicable revenue procedures of the IRS. In the event that we pay a portion of our dividends in shares of our common stock pursuant to such procedures, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such stockholders may have to use cash from other sources to pay such tax. If a U.S. stockholder sells the common stock it receives as a dividend in order to pay its taxes, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold federal tax with respect to our dividends, including dividends that are paid in common stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales would put downward pressure on the market price of our common stock.

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

Since we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends on our common and preferred stock depends on the distributions we receive from our Operating Partnership.

Because we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends on our common and preferred stock will depend almost entirely on payments and distributions we receive on our interests in our Operating Partnership. Additionally, the terms of some of the debt to which our Operating Partnership is a party may limit its ability to make some types of payments and other distributions to us. This in turn may limit our ability to make some types of payments, including payment of dividends to our stockholders, unless we meet certain financial tests. As a result, if our Operating Partnership fails to pay distributions to us, we generally will not be able to pay dividends to our stockholders for one or more dividend periods.

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,

Table of Contents

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) at any time 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, Executive Chairman of our board of directors and our former Chief Executive Officer, David Jacobs, Richard Jacobs and their affiliates under the Internal Revenue Code's attribution rules). The affirmative vote of 66 2/3% of our outstanding voting stock is required to amend this provision.

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

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

To maintain our status as a REIT under the Internal Revenue Code, we generally will be required each year to distribute to our stockholders at least 90% of our taxable income after certain adjustments. However, to the extent that we do not distribute all of our net capital gains 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 regular 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.

Complying with REIT requirements might cause us to forego otherwise attractive opportunities.

In order to qualify as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, our sources of income, the nature of our assets, the amounts we distribute to our shareholders and the ownership of our stock. We may also be required to make distributions to our shareholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may cause us to forego opportunities we would otherwise

Table of Contents

pursue. In addition, the REIT provisions of the Internal Revenue Code impose a 100% tax on income from “prohibited transactions.” “Prohibited transactions” generally include sales of assets that constitute inventory or other property held for sale in the ordinary course of business, other than foreclosure property. This 100% tax could impact our desire to sell assets and other investments at otherwise opportune times if we believe such sales could be considered “prohibited transactions.”

Our holding company structure makes us dependent on distributions from the Operating Partnership.

Because we conduct our operations through the Operating Partnership, our ability to service our debt obligations and pay dividends to our shareholders is strictly dependent upon the earnings and cash flows of the Operating Partnership and the ability of the Operating Partnership to make distributions to us. Under the Delaware Revised Uniform Limited Partnership Act, the Operating Partnership is prohibited from making any distribution to us to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the Operating Partnership (other than some non-recourse liabilities and some liabilities to the partners) exceed the fair value of the assets of the Operating Partnership. Additionally, the terms of some of the debt to which our Operating Partnership is a party may limit its ability to make some types of payments and other distributions to us. This in turn may limit our ability to make some types of payments, including payment of dividends on our outstanding capital stock, unless we meet certain financial tests or such payments or dividends are required to maintain our qualification as a REIT or to avoid the imposition of any federal income or excise tax on undistributed income. Any inability to make cash distributions from the Operating Partnership could jeopardize our ability to pay dividends on our outstanding shares of capital stock and to maintain qualification as a REIT.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

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

Classified Board of Directors; Removal for Cause – Our certificate of incorporation provides for a board of directors divided into three classes, with one class elected each year to serve for a three-year term. As a result, at least two annual meetings of stockholders may have been required for the stockholders to change a majority of our board of directors. While our stockholders approved an amendment to our certificate of incorporation at our 2011 annual meeting to declassify the board of directors, this declassification will be phased in over three years in a manner that does not alter the term of any current director. Accordingly, this transition will not be completed, with all directors standing for election on an annual basis, until our 2014 annual meeting of stockholders. 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 or no more than 90 days prior to the meeting.

Vote Required to Amend Bylaws – A vote of 66²/₃% of our outstanding voting stock (in addition to any separate approval that may be required by the holders of any particular class of stock) is necessary for stockholders to amend our bylaws.

Delaware Anti-Takeover Statute – We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an “interested stockholder” (defined generally as a person owning 15%

Table of Contents

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;
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
- (b) (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
following the transaction in which that person became an interested stockholder, the business combination is
- (c) 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. 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. Our Code of Business Conduct and Ethics also contains provisions governing the approval of certain transactions involving the Company and employees (or immediate family members of employees, as defined therein) that are not subject to the provision of the Bylaws described above. Such transactions are also subject to the Company's Related Party Transactions policy in the manner and to the extent detailed in the proxy statement filed with the SEC for the Company's 2012 annual meeting. Nevertheless, these affiliations could 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.

Table of Contents

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

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
April 1–30, 2012	—	\$—	—	\$—
May 1–31, 2012	—	—	—	—
June 1–30, 2012	106	18.54	—	—
Total	106	\$18.54	—	\$—

(1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax with 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: Mine Safety Disclosures

Not applicable.

ITEM 5: Other Information

On June 8, 2012, we extended and modified our \$105.0 million secured credit facility with First Tennessee Bank NA, as administrative agent. The facility's maturity date was extended from June 2013 to June 2015 with a one-year extension option, which is at our election, for an outside maturity date of June 2016. Amounts outstanding bear interest at an annual rate equal to one-month LIBOR plus 175 to 275 basis points, depending on our leverage ratio.

ITEM 6: Exhibits

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

Table of Contents

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, Treasurer and Secretary
(Authorized Officer and Principal Financial Officer)

Date: August 9, 2012

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
10.5.8	CBL & Associates Properties, Inc. 2012 Stock Incentive Plan*
10.15.4	Amended and Restated Loan Agreement between the Operating Partnership and First Tennessee Bank National Association, dated June 8, 2012
12	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
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**

* Incorporated by reference from the Company's Current Report on Form 8-K, dated May 7, 2012, filed on May 10, 2012. SEC File No. 1-12494.

** Pursuant to Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.