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CBL & ASSOCIATES PROPERTIES INC
Form 10-K/A
December 27, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A Amendment No. 1

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

For the fiscal year ended December 31, 2005

Or

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

For the transition period from _____ to _____

Commission File Number 1-12494

CBL & ASSOCIATES PROPERTIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or other jurisdiction of incorporate or organization) 62-1545718 (I.R.S. Employer Identification No.)

2030 Hamilton Place Blvd, Suite 500 Chattanooga, TN 37421 (Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (423) 855-0001

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, \$0.01 par value	New York Stock Exchange
8.75% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value	New York Stock Exchange
7.75% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value	New York Stock Exchange
7.375% Series D Cumulative Redeemable Preferred Stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 periods that the registrant was required to file such report(s)) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the 60,749,837 shares of common stock held by non-affiliates of the registrant as of June 30, 2005 was \$2,616,495,460, based on the closing price of \$43.07 per share on the New York Stock Exchange on June 30, 2005. (For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.) As of March 10, 2006, there were 64,116,757 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the annual shareholders meeting to be held on May 8, 2006, are incorporated by reference into Part III.

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to our Form 10-K is to correct the Officer Certifications filed as Exhibits 32.1 and 32.2, and to update our consolidated financial statements to reflect the application of the requirements of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" as a result of the sale of three community centers that were sold in May 2006.

The Officer Certifications filed as Exhibits 32.1 and 32.2 contained inadvertent typographical errors identifying the Form 10-K for the year ending December 31, 2004 instead of the Form 10-K for the year ending December 31, 2005 at the time they were filed with the original Form 10-K on March 15, 2006. The Company is filing as exhibits to this Amendment No. 1 to Form 10-K the certifications required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as a currently dated consent of the Company's Independent Registered Public Accounting Firm.

This Amendment No. 1 to Form 10-K also updates our Form 10-K, as originally filed on March 15, 2006, to reclassify the operations of the three properties we sold in May 2006 to discontinued operations in all periods presented in accordance with the provisions of SFAS No. 144, since they have been reflected as discontinued operations for each period presented in our quarterly reports on Form 10-Q filed during the year ending December 31, 2006. This Amendment No. 1 to Form 10-K/A reflects updates to Items 6, 7, 8, 9A and 15 of our Form 10-K to reflect the three community centers sold in May 2006 as discontinued operations.

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Except as described above, no other amendments are being made to the Annual Report. This Form 10-K/A does not reflect events occurring after the March 15, 2006 filing of our Annual Report on Form 10-K or modify or update the disclosure contained in the Annual Report in any way other than as described above.

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Cautionary Statement Relevant to Forward-Looking Information for the Purpose of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

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Certain statements made in this section or elsewhere in this report may be deemed "forward looking statements" within the meaning of the federal securities laws. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we cannot give assurance that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. In addition to the risk factors discussed below in Item 1A. of this report, such risks and uncertainties include, without limitation, general industry, economic and business conditions, interest rate fluctuations, costs of capital and capital requirements, availability of real estate properties, inability to consummate acquisition opportunities, competition from other companies and retail formats, changes in retail rental rates in 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, the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future business. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

Part I.

ITEM 1. BUSINESS

Background

CBL & Associates Properties, Inc. (the "CBL") was organized on July 13, 1993, as a Delaware corporation, to acquire substantially all of the real estate properties owned by CBL & Associates, Inc., and its affiliates ("CBL's Predecessor"), which was formed by Charles B. Lebovitz in 1978. On November 3, 1993, CBL completed an initial public offering (the "Offering"). Simultaneous with the completion of the Offering, CBL's Predecessor transferred substantially all of its interests in its real estate properties to CBL & Associates Limited Partnership (the "Operating Partnership") in exchange for common units of limited partnership interest in the Operating Partnership. The interests in the Operating Partnership contain certain conversion rights that are more fully described in Note 9 to the consolidated financial statements. The terms "we", "us", "our" and the "Company" refer to CBL & Associates Properties, Inc. and its subsidiaries.

Recent Developments

In January 2005, we closed the third phase of our joint venture, Galileo America LLC ("Galileo America"), when we sold our interests in two power centers, one community center and one community center expansion to Galileo America for \$58.6 million.

We acquired the properties listed in the following table during 2005. Please see Note 3 to the consolidated financial statements for more information.

Property

Location

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Laurel Park Place	Livonia, MI
The Mall of Acadiana	Lafayette, LA
Layton Hills Mall and Layton Hills Convenience Center	Layton Hills, UT
Oak Park Mall, Eastland Mall and Hickory Point Mall	Overland Park, KS; Bloomington, IL; Forsyt

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In February 2005, we amended one of our secured credit facilities to increase the total availability from \$80.0 million to \$100.0 million and to extend the maturity by one year to June 2007.

On May 9, 2005, our shareholders approved an increase in the authorized shares of the common stock under our amended and restated certificate of incorporation to 180,000,000 shares from 95,000,000 shares. On May 10, 2005, our board of directors approved a two-for-one stock split of our common stock, which was effected in the form of a stock dividend. The record date for the stock split was June 1, 2005, and the distribution date was June 15, 2005. The common units and special common units of limited partner interest in the Operating Partnership were also split on a two-for-one basis so that they continue to be exchangeable on a one-for-one basis into shares of our common stock.

In April 2005, we formed a joint venture with the Richard E. Jacobs Group ("Jacobs") to develop Gulf Coast Town Center in Lee County (Ft. Myers/Naples), Florida. See Note 5 to the consolidated financial statements for more information.

In August 2005, we transferred our 8.4% ownership interest in Galileo America to Galileo America in exchange for Galileo America's interest in two community centers: Springdale Center in Mobile, AL, and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA. We also sold our management and advisory contracts with Galileo America to New Plan Excel Realty Trust, Inc. ("New Plan").

In September 2005, we increased the availability under our unsecured credit facility from \$400.0 million to \$500.0 million.

In October 2005, our board of directors declared a special one-time cash dividend for our common stock of \$0.09 per share. The dividend was payable on January 16, 2006, to shareholders of record as of December 30, 2005. The special dividend was declared as a result of the taxable gains generated from the sale of our management and advisory contracts with Galileo America that is discussed in Note 5 to the consolidated financial statements.

In November 2005, our board of directors approved a plan to repurchase up to \$60.0 million of our common stock by December 31, 2006. The stock repurchase plan was adopted to provide us the opportunity to repurchase shares relatively equivalent to the Series K Special Common Units that were issued in connection with the acquisition of the three-mall portfolio that is discussed in Note 3 to the consolidated financial statements. We had repurchased 1,371,034 shares of our common stock as of December 31, 2005 for a total of \$55.0 million, or a weighted average cost of \$40.11 per share. We do not intend to repurchase any additional shares subsequent to December 31, 2005.

In November 2005, we formed a 50/50 joint venture with Jacobs to own Triangle Town Center and its associated and lifestyle centers, Triangle Town Place and Triangle Town Commons, in Raleigh, NC. We assumed management, leasing

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and any future development responsibilities of these properties.

The Company's Business

We are a self-managed, self-administered, fully integrated real estate investment trust ("REIT"). We own, develop, acquire, lease, manage, and operate regional malls, open-air and community shopping centers. Our shopping center properties are located in 27 states, but primarily in the southeastern and midwestern United States. We have elected to be taxed as a REIT for federal income tax purposes.

We conduct substantially all of our business through the Operating Partnership. We are the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. CBL Holdings I, Inc. is the sole general partner of the Operating Partnership. At December 31, 2005, CBL Holdings

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I, Inc. owned a 1.6% general partnership interest and CBL Holdings II, Inc. owned a 52.5% limited partnership interest in the Operating Partnership, for a combined interest held by us of 54.1%.

As of December 31, 2005, we owned:

- |X| interests in a portfolio of operating properties including 77 enclosed regional malls and two open-air centers (the "Malls"), 30 associated centers (the "Associated Centers"), seven community centers (the "Community Centers") and our corporate office building (the "Office Building");
- |X| interests in two mall expansions, two open-air centers, one open-air shopping center expansion, two associated centers, one community center and one community center expansion that are currently under construction (the "Construction Properties"), as well as options to acquire certain shopping center development sites; and
- |X| mortgages on eight properties that are secured by first mortgages or wrap-around mortgages on the underlying real estate and related improvements (the "Mortgages").

The Malls, Associated Centers, Community Centers, Construction Properties, Mortgages and Office Building are collectively referred to as the "Properties" and individually as a "Property."

We conduct our property management and development activities through CBL & Associates Management, Inc. (the "Management Company") to comply with certain technical requirements of the Internal Revenue Code of 1986, as amended.

The Management Company manages all but five of the Properties. Governor's Square and Governor's Plaza in Clarksville, TN, and Kentucky Oaks Mall, in Paducah, KY are all owned by joint ventures and are managed by a property manager that is affiliated with the third party managing general partner, which receives a fee for its services. The managing partner of each of these Properties controls the cash flow distributions, although our approval is required for certain major decisions. Springdale Center in Mobile, AL and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA, are managed by a third party that receives a fee for its services.

The majority of our revenues are derived from leases with retail tenants and generally include minimum rents, percentage rents based on tenants' sales

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volumes and reimbursements from tenants for expenditures related to property operating expenses, real estate taxes, insurance and maintenance and repairs, as well as certain 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 a premium value for the assets. Proceeds from such sales are generally used to reduce borrowings on our credit facilities.

The following terms used in this annual report on Form 10-K will have the meanings described below:

- |X| GLA - refers to gross leasable area of retail space in square feet, including anchors and mall tenants
- |X| Anchor - refers to a department store or other large retail store
- |X| Freestanding - property locations that are not attached to the primary complex of buildings that comprise the mall shopping center
- |X| Outparcel - land used for freestanding developments, such as retail stores, banks and restaurants, on the periphery of the Properties

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Significant Markets

Our top five markets, in terms of revenues, were as follows for the year ended December 31, 2005:

Market	Percentage Total of Revenues
Nashville, TN	6.2%
Madison, WI	3.5%
Chattanooga, TN	3.1%
Pittsburgh, PA	3.3%
Winston-Salem, NC	3.0%

	19.1%
	=====

Top 25 Tenants

Our top 25 tenants based on percentage of total revenues were as follows for the year ended December 31, 2005:

Tenant	Number of Stores	Square Feet	Annual Gross Rentals
1 Limited Brands, Inc.	235	1,451,230	\$49,816,
2 Foot Locker, Inc.	193	760,487	28,743,
3 The Gap, Inc.	106	1,052,246	24,849,

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4	Luxottica Group, S.P.A. (2)	77	362,187	16,993,
5	Abercrombie & Fitch, Co.	197	479,638	16,737,
6	AE Outfitters Retail Company	73	384,206	15,162,
7	Signet Group PLC (3)	104	158,906	14,502,
8	Zale Corporation	148	148,800	13,637,
9	JC Penney Co. Inc. (4)	69	7,701,909	13,273,
10	Finish Line, Inc.	68	356,479	12,948,
11	New York & Company, Inc.	45	348,612	11,031,
12	The Regis Corporation	198	230,075	11,014,
13	Hallmark Cards, Inc.	88	309,068	10,310,
14	The Children's Place Retail Stores, Inc.(5)	61	258,951	9,898,
15	Genesco Inc. (6)	139	178,211	9,801,
16	Charming Shoppes, Inc. (7)	58	344,733	9,789,
17	Pacific Sunwear of California	81	279,350	9,625,
18	Dick's Sporting Goods, Inc.	11	654,686	9,085,
19	Aeropostale, Inc.	66	223,772	8,736,
20	Trans World Entertainment (8)	50	259,060	8,364,
21	Sun Capital Partners, Inc. (9)	65	441,360	7,988,
22	Federated Department Stores, Inc.(10)	86	6,228,826	7,951,
23	Christopher & Banks, Inc.	67	231,681	7,736,
24	Claire's Stores, Inc.	117	132,167	7,537,
25	The Buckle, Inc.	44	214,094	7,377,
		-----	-----	-----
		2,446	23,190,734	\$342,912,
		=====	=====	=====

Our Growth Strategy

Our objective is to achieve growth in funds from operations by maximizing cash flows through a variety of methods that are discussed below.

Leasing, Management and Marketing

Our objective is to maximize cash flows from our existing Properties through:

- |X| aggressive leasing that seeks to increase occupancy,
- |X| originating and renewing leases at higher base rents per square foot compared to the previous lease,
- |X| merchandising, marketing, sponsorship and promotional activities and
- |X| aggressively controlling operating costs and resulting tenant occupancy costs.

Expansions and Renovations

We can generate additional revenue by expanding a Property through the addition of department stores, mall stores and large retail formats. An expansion also protects the Property's competitive position within its market. As shown below, we completed seven expansions during 2005 and expect to expand four Properties in 2006:

Property	Location	GLA	Openi

Completed in 2005:			

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CoolSprings Crossing	Nashville, TN	10,000
The District at Monroeville Mall	Monroeville, PA	75,000
Citadel Mall	Charleston, SC	45,000
St. Clair Square	Fairview Heights, IL	8,500
Stroud Mall	Stroudsburg, PA	4,500
Fayette Mall	Lexington, KY	144,000
Fashion Square	Orange Park, FL	18,000

305,000
=====

Scheduled for 2006:

Southaven Towne Center (Dillard's)	Southaven, MS	158,900
Southaven Towne Center (Gordman's)	Southaven, MS	59,400
Burnsville Center	Burnsville, MN	20,600
Coastal Grand-Myrtle Beach (PetsMart)	Myrtle Beach, SC	20,100
Hanes Mall (Dick's Sporting Goods)	Winston-Salem, NC	66,000
Southaven Towne Center	Southaven, MS	15,000

340,000
=====

Renovations usually include renovating existing facades, uniform signage, new entrances and floor coverings, updating interior decor, resurfacing parking lots and improving the lighting of interiors and parking lots. Renovations can result in attracting new retailers, increased rental rates and occupancy levels and maintaining the Property's market dominance. As shown below, we renovated three Properties during 2005 and expect to renovate nine Properties during 2006.

Property	Location
----------	----------

Completed in 2005:

Fayette Mall	Lexington, KY
Hamilton Corner	Chattanooga, TN
Village at Rivergate	Nashville, TN

Scheduled for 2006:

CoolSprings Galleria	Nashville, TN
Chapel Hill Mall	Akron, OH
Hamilton Crossing	Chattanooga, TN
Harford Mall	Bel Air, MD
Honey Creek Mall	Terre Haute, IN
Madison Square	Huntsville, AL
Northpark Mall	Joplin, MO
Park Plaza Mall	Little Rock, AR
Wausau Center	Wausau, WI

Development of New Retail Properties

In general, we seek development opportunities in middle-market trade areas

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that we believe are under-served by existing retail operations. These middle-markets must also have sufficient demographics to provide the opportunity to effectively maintain a competitive position. The following shows the new developments we opened during 2005 and those under construction at December 31, 2005:

Property	Location	GLA	Openin

Opened in 2005:			

Imperial Valley Mall (60/40 joint venture)	El Centro, CA	754,000	March
Hamilton Corner	Chattanooga, TN	68,000	March
Coastal Grand Crossing	Myrtle Beach, SC	15,000	May
Cobblestone Village at Royal Palm Beach	Royal Palm Beach, FL	225,000	June
Chicopee Marketplace	Chicopee, MA	156,000	Septem
Southaven Towne Center	Southaven, MS	279,100	Octobe
Gulf Coast Town Center (Phase I)	Ft. Myers, FL	436,000	Novemb

		1,933,100	
		=====	
Currently under construction:			

The Plaza at Fayette (Phase I)	Lexington, KY	73,400	July
Lakeview Point	Stillwater, OK	207,300	Octob
Gulf Coast Town Center (Phase II)	Ft. Myers, FL	739,000	Octob
High Pointe Commons	Harrisburg, PA	297,100	Octob
The Shoppes at St. Clair	Fairview Heights, IL	75,000	March

		1,391,800	
		=====	

Our total investment in the Properties opened in 2005 was \$282.6 million and the total investment in the Properties we had under construction at December 31, 2005 is projected to be \$219.7 million.

Acquisitions

We believe there is opportunity for growth through acquisitions of regional malls and other associated properties. We selectively acquire regional mall properties where we believe we can increase the value of the property through our development, leasing and management expertise. We acquired the following Properties during 2005:

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Property	Location	GLA	Month Ac

Laurel Park Place	Livonia, MI	805,200	June
The Mall of Acadiana	Lafayette, LA	997,300	July
Layton Hills Mall	Layton Hills, UT	660,700	Novem
Layton Hills Convenience Center	Layton, UT	93,900	Novem
Oak Park Mall	Overland Park, KS	1,488,500	Novem
Eastland Mall	Bloomington, IL	755,800	Novem
Hickory Point Mall	Forsyth, IL	743,100	Novem

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Triangle Town Center (50/50 joint venture)	Raleigh, NC	1,279,200	Novem
Triangle Town Place (50/50 joint venture)	Raleigh, NC	161,800	Novem

		6,985,500	
		=====	

Insurance

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. The property and liability insurance policies on our Properties currently include loss resulting from acts of terrorism, whether foreign or domestic. We believe the Properties are adequately insured in accordance with industry standards.

Environmental Matters

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 within approximately the last ten years. Such assessments generally consisted of a visual inspection of the properties, review of federal and state environmental databases and certain information regarding historic uses of the property and adjacent areas and the preparation and issuance of written reports. Some of the properties contain, or contained, underground storage tanks used for storing petroleum products or wastes typically associated with automobile service or other operations conducted at the properties. Certain properties contain, or contained, dry-cleaning establishments utilizing solvents. Where believed to be warranted, samplings of building materials or subsurface investigations were undertaken. At certain properties, where warranted by the conditions, we have

developed and implemented an operations and maintenance program that establishes operating procedures with respect to asbestos-containing materials. The costs associated with the development and implementation of such programs were not material.

We believe that our properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding the handling, discharge and emission of hazardous or toxic substances. We have recorded in our financial statements a liability of \$2.4 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. 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.

Competition

The Properties compete with various shopping facilities in attracting retailers to lease space. In addition, retailers at our properties face competition from discount shopping centers, outlet malls, wholesale clubs, direct mail, television shopping networks, the internet and other retail shopping developments. The extent of the retail competition varies from market to market. We work aggressively to attract customers through marketing promotions and campaigns.

Seasonality

Our business is somewhat seasonal in nature with tenant sales achieving the highest levels during the fourth quarter because of the holiday season, which results in higher percentage rent income in the fourth quarter. 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 entire year.

Financial Information About Segments

See Note 12 to the consolidated financial statements for information about our reportable segments.

Employees

We currently have 784 full-time and 699 part-time employees. None of our employees are represented by a union.

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Corporate Offices

Our principal executive offices are located at CBL Center, 2030 Hamilton Place Boulevard, Suite 500, Chattanooga, Tennessee, 37421 and our telephone number is (423) 855-0001.

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Available Information

There is additional information about us on our web site at cblproperties.com. Electronic copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge by visiting the "investor relations" section of our web site. These reports are posted as soon as reasonably practical after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on the web site is not, and should not, be considered to be a part of this Form 10-K.

ITEM 1A. RISK FACTORS

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:

- |X| National, regional and local economic climates, which may be negatively impacted by plant closings, industry slowdowns, adverse weather conditions, natural disasters, and other factors which tend to reduce consumer spending on retail goods.
- |X| 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.
- |X| Increased operating costs, such as increases in real property taxes, utility rates and insurance premiums.
- |X| Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.
- |X| The willingness and ability of the shopping center's owner to provide capable management and maintenance services.
- |X| 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:

- |X| 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.

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- |X| Potential environmental or other legal liabilities that reduce the amount of funds available to us for investment in our Properties.
- |X| Any inability to obtain sufficient financing (including both construction financing and permanent debt), or the inability to obtain such financing on commercially favorable terms, to fund new developments, acquisitions, and property expansions and renovations which otherwise would benefit our Properties.
- |X| 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.

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

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

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

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that real property. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. The costs of investigation, removal or remediation of hazardous or toxic substances may be substantial. In addition, the presence of hazardous or toxic substances, or the failure to remedy environmental hazards properly, may adversely affect the owner's or operator's ability to sell or rent affected real property or to borrow money using affected real property as collateral.

Persons or entities that arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous or toxic substances at the disposal or treatment facility, whether or not that facility is owned or operated by the person or entity arranging for the disposal or treatment of hazardous or toxic substances. Laws exist that impose liability for release of asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to asbestos-containing materials. In connection with our ownership, operation, management, development and redevelopment of our Properties, or any other Properties we acquire in the

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future, we may be potentially liable under these laws and may incur costs in responding to these liabilities, which could have an adverse effect on our results of operations, cash flow and the funds available to us to pay dividends.

RISKS RELATED TO OUR BUSINESS AND THE MARKET FOR OUR STOCK

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

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

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

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

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

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

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

Since our shopping center 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 52.6% of our total revenues from all properties for the year ended December 31, 2005 and currently include 40 Malls, 20 Associated

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Centers, five Community Centers and one Office Building. Our properties located in the midwestern United States accounted for approximately 25.9% of our total revenues from all properties for the year ended December 31, 2005 and currently include 21 Malls and three Associated Centers. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. We will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

Certain of our shopping center 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 eight malls, six associated centers, three community centers and one office building. We manage all of these properties except for Governor's Square, Governor's Plaza and Kentucky Oaks. A property manager affiliated with the managing general partner performs the property management services for these properties and receives a fee for its services. The managing partner of each of these three Properties controls the cash flow distributions, although our approval is required for certain major decisions. Springdale Center in Mobile, AL and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA, are managed by a third party that receives a fee for its services.

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

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

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

Certain Properties that we originally acquired from third parties had unrealized gain attributable to the difference between the fair market value of such Properties and the third parties' adjusted tax basis in the Properties immediately prior to their contribution of such Properties to the Operating Partnership pursuant to our acquisition. For this reason, a taxable sale by us of any of such Properties, or a significant reduction in the debt encumbering such Properties, could result in adverse tax consequences to the third parties

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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.

The loss or bankruptcy of a major tenant could negatively affect our financial position and results of operations.

In the year ended December 31, 2005, no tenant accounted for 5% or more of revenues except for The Limited Stores Inc. (including Intimate Brands, Inc.), which accounted for approximately 5.6% of our total revenues. The loss or bankruptcy of this key tenant could negatively affect our financial position and results of operations.

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 Nashville, Tennessee area, which is our single largest market.

Our properties located in Nashville, TN accounted for 6.2% of our revenues for the year ended December 31, 2005. No other market accounted for more than 3.5% of our revenues for the year ended December 31, 2005. Our financial position and results of operations will therefore be affected by the results experienced at properties located in the Nashville, TN area.

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

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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.

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

In May 2003, the maximum U.S. federal income tax rate for dividends received by individual taxpayers was reduced generally from 38.6% to 15% (from January 1, 2003 through 2008). However, dividends payable by REITs are generally not eligible for such treatment. Although this legislation did not have a directly adverse effect on the taxation of REITs or dividends paid by REITs, the more favorable treatment for non-REIT dividends could cause individual investors to consider investments in non-REIT corporations as more attractive relative to an investment in a REIT, which could have an adverse impact on the market price

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of our stock.

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

Certain of the Operating Partnership's lines of credit are conditioned upon the Operating Partnership continuing to be managed by certain members of its current senior management and by such members of senior management continuing to own a significant direct or indirect equity interest in the Operating Partnership (including any shares of our common stock owned by such members of senior management may hold in us). 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 insurance coverage may change in the future, and may not include coverage for acts of terrorism.

The general liability and property casualty insurance policies on our Properties currently include loss resulting from acts of terrorism, whether foreign or domestic. The cost of general liability and property casualty insurance policies that include coverage for acts of terrorism has risen significantly post-September 11, 2001. The cost of coverage for acts of terrorism is currently mitigated by the Terrorism Risk Insurance Act ("TRIA"). If TRIA is not extended beyond 2006, we may incur higher insurance costs and greater difficulty in obtaining insurance that covers terrorist-related damages. Our tenants may also experience similar difficulties. We are unable at this time to predict whether we will continue our policy coverage as currently structured when our policies are up for renewal on December 31, 2006.

RISKS RELATED TO FEDERAL INCOME TAX LAWS

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

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which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify. In addition, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to qualification or its corresponding federal income tax consequences.

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

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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. We currently intend to operate in a manner designed to qualify as a REIT. However, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors, with the consent of a majority of our stockholders, to revoke the REIT election.

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

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

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

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

To maintain our status as a REIT under the Internal Revenue Code, we generally will be required each year to distribute to our stockholders at least 90% of our taxable income after certain adjustments. However, to the extent that we do not distribute all of our net capital gain or distribute at least 90% but less than 100% of our REIT taxable income, as adjusted, we will be subject to tax on the undistributed amount at ordinary and capital gains corporate tax rates, as the case may be. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us during each calendar year are less than the sum of 85% of our ordinary income

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for such calendar year, 95% of our capital gain net income for the calendar year and any amount of such income that was not distributed in prior years. In the case of property acquisitions, including our initial formation, where individual properties are contributed to our Operating Partnership for Operating Partnership units, we have assumed the tax basis and depreciation schedules of the entities' contributing properties. The relatively low tax basis of such contributed properties may have the effect of increasing the cash amounts we are required to distribute as dividends, thereby potentially limiting the amount of cash we might otherwise have been able to retain for use in growing our business. This low tax basis may also have the effect of reducing or eliminating the portion of distributions made by us that are treated as a non-taxable return of capital.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

Certain provisions of Delaware law, as well as of our amended and restated certificate of incorporation and bylaws, and agreements to which we are a party, may have the effect of delaying, deferring or preventing a third party from making an acquisition proposal for us and may 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 may be summarized as follows:

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

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stockholders. These procedures generally require advance written notice of any such proposals, containing prescribed information, to be given to our Secretary at our principal executive offices not less than 60 days nor more than 90 days prior to the meeting.

- |X| VOTE REQUIRED TO AMEND BYLAWS - A vote of 66 (2)/3% of the outstanding voting stock is necessary to amend our bylaws.

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- |X| STOCKHOLDER RIGHTS PLAN - We have a stockholder rights plan, which may delay, deter or prevent a change in control unless the acquirer negotiates with our board of directors and the board of directors approves the transaction. The rights plan generally would be triggered if an entity, group or person acquires (or announces a plan to acquire) 15% or more of our common stock. If such transaction is not approved by our board of directors, the effect of the stockholder rights plan would be to allow our stockholders to purchase shares of our common stock, or the common stock or other merger consideration paid by the acquiring entity, at an effective 50% discount.

- |X| DELAWARE ANTI-TAKEOVER STATUTE - We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an "interested stockholder" (defined generally as a person owning 15% or more of a company's outstanding voting stock) from engaging in a "business combination" (as defined in Section 203) with us for three years following the date that person becomes an interested stockholder unless:

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

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

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

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

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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.

- |X| RETAINED PROPERTY INTERESTS - Members of our senior management own interests in certain real estate properties that were retained by them at the time of our initial public offering. These consist primarily of outparcels at certain of our properties, which are being offered for sale through our management company. As a result, these members of our senior management have interests that could conflict with the interests of the Company, our shareholders and the Operating Partnership with respect to any transaction involving these properties.
- |X| 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

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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.

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

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Refer to Item 7: Management's Discussion and Analysis for additional information pertaining to the Properties' performance.

Malls

We own a controlling interest in 72 Malls and non-controlling interests in seven Malls. We also own a controlling interest in three Malls and two Mall expansions that are currently under construction. The Malls are primarily located in middle markets and have strong competitive positions because they are the only, or dominant, regional mall in their respective trade areas.

The Malls are generally anchored by two or more department stores and a wide variety of mall stores. Anchor tenants own or lease their stores and non-anchor stores (20,000 square feet or less) lease their locations. Additional freestanding stores and restaurants that either own or lease their stores are typically located along the perimeter of the Malls' parking areas.

We classify our regional malls into two categories - malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include Parkway Place in Huntsville, AL, which opened in October 2002; Coastal Grand-Myrtle Beach in Myrtle Beach, SC, which opened in March 2004; Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven

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Towne Center in Southaven, MS, which opened in October 2005; and Gulf Coast Town Center (Phase I) in Ft. Myers, FL, which opened in November 2005.

We own the land underlying each Mall in fee simple interest, except for Walnut Square, Westgate Mall, St. Clair Square, Bonita Lakes Mall, Meridian Mall, Stroud Mall, Wausau Center, Chapel Hill Mall, Eastgate Mall, Eastland Mall and Mall of Acadiana. We lease all or a portion of the land at each of these Malls subject to long-term ground leases.

The following table sets forth certain information for each of the Malls as of December 31, 2005.

Mall/Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Company's Ownership	Total GLA(1)	Total Mall Store GLA(2)	Mall Store Sales per Square Foot(3)
Coastal Grand-Myrtle Beach Myrtle Beach, SC	2004	N/A	50%	997,838	452,670	\$333

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Gulf Coast Town Center Ft. Meyers, FL	2005	N/A	50%	401,423	108,105	-
Imperial Valley Mall El Centro, CA(13)	2005	N/A	60%	761,790	269,433	281
Parkway Place Mall Huntsville, AL	1957/1998	2002	45%	629,284	273,602	268
Southaven Towne Center Southaven, MS(23)	2005	N/A	100%	691,877	112,119	107
Total Non-Stabilized Malls				3,482,212	1,215,929	\$308
Stabilized Malls: Arbor Place Atlanta (Douglasville), GA	1999	N/A	100%	1,176,365	378,280	\$380
Asheville Mall Asheville, NC	1972/2000	2000	100%	965,429	304,974	317
Bonita Lakes Mall(5) Meridian, MS	1997	N/A	100%	634,012	185,871	280
Brookfield Square Brookfield, WI	1967/2001	1997	100%	1,125,439	344,962	430
Burnsville Center Burnsville, MN	1977/1998	N/A	100%	1,078,000	429,196	359
Cary Towne Center Cary, NC	1979/2001	1993	100%	1,008,324	299,256	297
Chapel Hill Mall(7) Akron, OH	1966/2004	1995	100%	859,902	300,578	289
Cherryvale Mall Rockford, IL	1973/2001	2004	100%	786,396	302,836	328
Citadel Mall Charleston, SC	1981/2001	2000	100%	1,117,380	321,610	273
College Square Morristown, TN	1988	1999	100%	475,974	153,505	253

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Mall/Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)
Columbia Place Columbia, SC	1977/2001	N/A	100%	1,094,772	329,160	269
CoolSprings Galleria Nashville, TN	1991	1994	100%	1,115,678	361,042	414
Cross Creek Mall Fayetteville, NC	1975/2003	2000	100%	1,036,305	255,023	482
East Towne Mall Madison, WI	1971/2001	2004	100%	842,426	336,064	319
Eastgate Mall(8) Cincinnati, OH	1980/2003	1995	100%	1,110,157	273,438	307
Eastland Mall Bloomington, IL	1967/2005	N/A	100%	810,787	226,192	318
Fashion Square Saginaw, MI	1972/2001	1993	100%	796,556	317,359	289
Fayette Mall Lexington, KY	1971/2001	1993	100%	1,193,441	352,043	490
Foothills Mall Maryville, TN	1983/1996	2004	95%	482,571	155,875	245
Frontier Mall Cheyenne, WY	1981	1997	100%	528,745	214,994	234
Georgia Square Athens, GA	1981	N/A	100%	674,210	252,656	272
Governor's Square Clarksville, TN	1986	1999	48%	742,517	310,892	294
Greenbrier Mall Chesapeake, VA	1981/2004	2004	100%	888,450	304,465	356

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Hamilton Place Chattanooga, TN	1987	1998	90%	1,152,172	371,124	376
Hanes Mall Winston-Salem, NC	1975/2001	1990	100%	1,482,583	553,395	340
Harford Mall Bel Air, MD	1973/2003	1999	100%	489,597	187,661	362
Hickory Hollow Mall Nashville, TN	1978/1998	1991	100%	1,098,052	427,863	251
Hickory Point Mall Decatur, IL	1977/2005	N/A	100%	835,222	244,405	212
Honey Creek Mall Terre Haute, IN	1968/2004	1981	100%	678,305	212,182	326
Janesville Mall Janesville, WI	1973/1998	1998	100%	615,241	161,911	291

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Mall/Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)
Jefferson Mall Louisville, KY	1978/2001	1999	100%	987,863	272,650	312
Kentucky Oaks Mall Paducah, KY	1982/2001	1995	50%	1,125,723	354,671	267
The Lakes Muskegon, MI	2001	N/A	90%	592,756	261,502	260
Lakeshore Mall Sebring, FL	1992	1999	100%	500,729	147,901	319
Laurel Park Place Livonia, MI	1989/2005	1994	70%	502,927	204,117	410
Layton Hills Mall Layton, UT	1980/2005	1998	100%	626,418	313,495	340
Madison Square	1984	1985	100%	932,581	299,246	287

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Huntsville, AL

Mall del Norte Laredo, TX	1977/2004	1993	100%	1,207,719	377,836	421
Mall of Acadiana (24) Lafayette, LA	1979/2005	2004	100%	1,000,518	306,111	426
Meridian Mall (11) Lansing, MI	1969/1998	2001	100%	979,861	500,868	272
Midland Mall Midland, MI	1991/2001	N/A	100%	514,468	197,194	287
Monroeville Mall Pittsburgh, PA	1969/2004	2003	100%	1,151,959	428,413	320
Northpark Mall Joplin, MO	1972/2004	1996	100%	978,850	377,255	296
Northwoods Mall Charleston, SC	1972/2001	1995	100%	1,021,337	290,660	346
Oak Hollow Mall High Point, NC	1995	N/A	75%	801,128	251,008	210
Oak Park Mall Overland Park, KS	1974/2005	1998	100%	1,558,184	475,097	443
Old Hickory Mall Jackson, TN	1967/2001	1994	100%	546,907	166,812	322
Panama City Mall Panama City, FL	1976/2002	1984	100%	604,597	222,290	315

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Mall/Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)
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Park Plaza Little Rock, AR	1988/2004	N/A	100%	567,120	266,681	464
Parkdale Mall Beaumont, TX	1972/2001	1986	100%	1,409,128	355,741	312
Pemberton Square Vicksburg, MS	1985	1999	100%	351,920	133,685	154
Plaza del Sol Del Rio, TX	1979	1996	51%	266,596	107,570	177
Post Oak Mall College Station, TX	1982	1985	100%	777,628	290,102	296
Randolph Mall Asheboro, NC	1982/2001	1989	100%	378,913	143,720	202
Regency Mall Racine, WI	1981/2001	1999	100%	928,305	294,897	282
Richland Mall Waco, TX	1980/2002	1996	100%	709,289	229,811	298
River Ridge Mall Lynchburg, VA	1980/2003	2000	100%	786,440	204,870	317
Rivergate Mall Nashville, TN	1971/1998	1998	100%	1,129,491	347,662	314
Southpark Mall Colonial Heights, VA	1989/2003	N/A	100%	628,283	202,308	296
St. Clair Square (15) Fairview Heights, IL	1974/1996	1993	100%	1,051,658	282,384	398
Stroud Mall (16) Stroudsburg, PA	1977/1998	2005	100%	425,947	152,024	314
Sunrise Mall Brownsville, TX	1979/2003	2000	100%	751,218	327,761	358
Towne Mall Franklin, OH	1977/2001	N/A	100%	465,598	155,284	217

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Triangle Town Center Raleigh, NC	2002/2005	N/A	50%	1,275,957	427,382	338
Turtle Creek Mall Hattiesburg, MS	1994	1995	100%	846,098	223,004	412
Twin Peaks Mall Longmont, CO	1985	1997	100%	558,203	244,818	242
Valley View Mall Roanoke, VA	1985/2003	1999	100%	1,241,173	313,079	348
Volusia Mall Daytona Beach, FL	1974/2004	1982	100%	1,060,489	241,946	441

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Mall/Location	Year of Opening/ Acquisition	Year of Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Mall Store GLA (2)	Mall Store Sales per Square Foot (3)
Walnut Square(17) Dalton, GA	1980	1992	100%	449,160	169,965	260
Wausau Center(18) Wausau, WI	1983/2001	1999	100%	427,244	154,044	269
West Towne Mall Madison, WI	1970/2001	2004	100%	905,324	270,419	428
Westgate Mall(19) Spartanburg, SC	1975/1995	1996	100%	1,102,444	340,316	272
Westmoreland Mall Greensburg, PA	1977/2002	1994	100%	1,012,794	312,339	309
York Galleria York, PA	1989/1999	N/A	100%	770,462	233,245	321
Total Stabilized Malls				62,806,415	20,740,995	\$331
Grand total				66,288,627	21,956,924	\$330

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Anchors

Anchors are an important factor in a Mall's successful performance. The public's identification with a mall property typically focuses on the anchor tenants. Mall anchors are generally a department store whose merchandise appeals to a broad range of shoppers and plays a significant role in generating customer traffic and creating a desirable location for the mall store tenants.

Anchors may own their stores and the land underneath, as well as the adjacent parking areas, or may enter into long-term leases with respect to their stores. Rental rates for anchor tenants are significantly lower than the rents charged to mall store tenants. Anchors account for 5.8% of the total revenues from our Properties. Each anchor that owns its store has entered into an operating and reciprocal easement agreement with us covering items such as operating covenants, reciprocal easements, property operations, initial construction and future expansion.

During 2005, we added the following anchors and junior anchor boxes (i.e., non-traditional anchors) to the following Malls:

Anchor	Property	Location
J.C. Penney	Greenbrier Mall	Chesapeake, VA
Steve & Barry's	West Towne Mall	Madison, WI
Steve & Barry's	Fashion Square Mall	Saginaw, MI
Steve & Barry's	Post Oak Mall	College Station, TX
Steve & Barry's	Parkdale Mall	Beaumont, TX
Steve & Barry's	Burnsville Mall	Burnsville, MN
Steve & Barry's	Oak Hollow Mall	High Point, NC
Steve & Barry's	Twin Peaks Mall	Longmont, CO
Dick's Sporting Goods	Westmoreland South	Greensburg, PA
Dick's Sporting Goods	Citadel Mall	Charleston, SC
Dick's Sporting Goods	Fayette Mall	Lexington, KY
Linens `N' Things	Panama City Mall	Panama City, FL
Linens `N' Things	Sunrise Mall	Brownsville, TX
Ross Dress For Less	Plaza del Sol	Del Rio, TX
Barnes & Noble	Brookfield Square	Brookfield, WI

As of December 31, 2005, the Malls had a total of 400 anchors and junior anchors including seven vacant anchor locations. The mall anchors and junior anchors and the amount of GLA leased or owned by each as of December 31, 2005 is as follows:

Anchor	Number of Stores	Leased GLA	Owned GLA	Total GLA
JCPenney	69	4,087,506	3,599,091	7,686,597
Sears	68	1,694,281	7,088,265	8,782,546

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Dillard's	54	481,759	6,951,701	7,433,460
Sak's				
Boston Store	5	96,000	599,280	695,280
Bergner's	3	-	385,401	385,401
Parisian	7	281,431	647,633	929,064
Sak's	1	-	83,066	83,066
Younkers	3	194,161	106,131	300,292
Subtotal	19	571,592	1,821,511	2,393,103
Belk				
Belk	20	624,928	1,947,054	2,571,982
McRae's	5	-	511,359	511,359
Proffitt's	5	-	540,483	540,483
Subtotal	30	624,928	2,998,896	3,623,824
Bon-Ton				
Bon-Ton	3	87,024	231,715	318,739
Elder-Beerman	4	194,613	117,888	312,501
Subtotal	7	281,637	349,603	631,240
Federated Department Stores				
Famous Barr	4	371,830	121,231	493,061

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Anchor	Number of Stores	Leased GLA	Owned GLA	Total GLA
Foley's	5	146,725	460,278	607,003
Hecht's	13	413,707	1,377,646	1,791,353
Jones Store	1	-	181,373	181,373
Kaufmann's	4	189,554	402,879	592,433
L.S. Ayres	1	173,000	-	173,000
Macy's	8	360,226	1,007,470	1,367,696
Marshall Fields	4	147,632	494,299	641,931
Meier & Frank	1	162,240	-	162,240
Robinsons-May	1	-	138,193	138,193
Subtotal	42	1,964,914	4,183,369	6,148,283
Babies R Us	1	30,700	-	30,700
Barnes & Noble	4	118,360	-	118,360
Beall Bros.	6	222,440	-	222,440
Beall's (FL)	1	45,844	-	45,844
Bed, Bath & Beyond	5	154,835	-	154,835
Bel Furniture	1	29,998	-	29,998
Best Buy	1	34,262	-	34,262
Books A Million	4	69,765	-	69,765
Borders	1	25,814	-	25,814
Boscov's	1	-	150,000	150,000
Circuit City	1	33,887	-	33,887
Cost Plus	1	18,243	-	18,243
Dick's Sporting Goods	7	419,551	-	419,551
Gart Sports	2	41,287	-	41,287
Goody's	6	204,249	-	204,249
Gordman's	1	47,943	-	47,943
Hudson's	1	20,269	-	20,269
Jo-Ann Fabrics	1	35,330	-	35,330
Joe Brand	1	29,413	-	29,413
Kmart	1	86,479	-	86,479
Kohl's	4	357,091	-	357,091

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Linens N Things	8	222,034	-	222,034
Mervyn's	3	242,389	-	242,389
Nordstrom	1	-	200,000	200,000
Old Navy	15	310,739	-	310,739
Ross	1	30,307	-	30,307
Schuler Books	1	24,116	-	24,116
Shopko/K's Merchandise Mart	1	-	85,229	85,229
Staples	1	20,388	-	20,388
Steve & Barry's	14	519,940	-	519,940
Target	4	-	490,476	490,476
TJ Maxx	1	30,000	-	30,000
Value City	1	97,411	-	97,411
Von Maur	2	-	233,280	233,280
Vacant Anchors:				
Shopko (1)	1	-	90,000	90,000
Ward's	2	212,226	-	212,226
JC Penney	1	-	120,532	120,532
Proffitt's (2)	1	-	50,000	50,000
Mervyn's (3)	1	62,419	-	62,419
Vacant	1	-	158,857	158,857
	400	13,504,346	28,570,810	42,075,156

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Mall Stores

The Malls have approximately 10,376 mall stores. National and regional retail chains (excluding local franchises) lease approximately 76.1% of the occupied mall store GLA. Although mall stores occupy only 28.7% of the total mall GLA, the Malls received 90.7% of their revenues from mall stores for the year ended December 31, 2005.

Mall Lease Expirations

The following table summarizes the scheduled lease expirations for mall stores as of December 31, 2005:

Year Ending December 31,	Number of Leases Expiring	Annualized Base Rent (1)	GLA of Expiring Leases	Average Annualized Base Rent Per Square Foot	Expiring Leases as % of Total Annualized Base Rent (2)	L %
2006	768	\$39,905,000	1,713,000	\$23.30	9.1%	
2007	901	56,291,000	2,422,000	23.24	12.8%	
2008	822	52,376,000	2,167,000	24.17	12.0%	
2009	708	48,848,000	1,847,000	26.45	11.1%	
2010	751	53,644,000	1,959,000	27.38	12.2%	
2011	557	43,950,000	1,610,000	27.30	10.0%	
2012	438	32,614,000	1,110,000	29.38	7.4%	
2013	417	34,490,000	1,240,000	27.82	7.9%	
2014	345	26,177,000	898,000	29.15	6.0%	
2015	377	32,610,000	1,232,000	26.47	7.4%	

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Mall Tenant Occupancy Costs

Occupancy cost is a tenant's total cost of occupying its space, divided by sales. The following table summarizes tenant occupancy costs as a percentage of total mall store sales for the last three years:

	Year Ended December 31, (1)		
	2005	2004	2003
Mall store sales (in millions) (1)	\$4,367.0	\$3,453.0	\$3,199.9
Minimum rents	8.2%	8.3%	8.5%
Percentage rents	0.4%	0.3%	0.3%
Tenant reimbursements (2)	3.2%	3.4%	3.4%
Mall tenant occupancy costs	11.8%	12.0%	12.2%

Associated Centers

We own a controlling interest in 27 Associated Centers and a non-controlling interest in three Associated Centers. We also own a controlling interest in two Associated Centers that were under construction at December 31, 2005.

Associated Centers are retail properties that are adjacent to a regional mall complex and include one or more anchors, or big box retailers, along with smaller tenants. Anchor tenants typically include tenants such as TJ Maxx, Target, Toys R Us and Goody's. Associated Centers are managed by the staff at the Mall it is adjacent to and usually benefit from the customers drawn to the Mall.

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We own the land underlying the Associated Centers in fee simple interest, except for Bonita Lakes Crossing, which is subject to a long-term ground lease.

The following table sets forth certain information for each of the Associated Centers as of December 31, 2005:

Associated Center/ Location	Year of Opening/ Most Recent Expansion	Company's Ownership	Total GLA(1)	Total Leasable GLA(2)	Percentage GLA Occupied(3)
Annex at Monroeville Pittsburgh, PA	1969	100%	185,309	185,309	99%

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Bonita Lakes Crossing(4) Meridian, MS	1997/1999	100%	138,150	138,150	100%
Chapel Hill Suburban Akron, OH	1969	100%	117,088	117,088	99%
Coastal Grand Crossing Myrtle Beach, SC	2005	50%	14,907	14,907	89%
CoolSprings Crossing Nashville, TN	1992	100%	366,466	184,905	100%
Courtyard at Hickory Hollow Nashville, TN	1979	100%	77,560	77,560	67%
The District at Monroeville Pittsburgh, PA	2004	100%	70,039	70,039	88%
Eastgate Crossing Cincinnati, OH	1991	100%	195,112	195,112	97%
Foothills Plaza Maryville, TN	1983/1986	100%	71,216	71,216	98%
Frontier Square Cheyenne, WY	1985	100%	186,552	16,527	100%
Georgia Square Plaza Athens, GA	1984	100%	15,393	15,393	100%
Governor's Square Plaza Clarksville, TN	1985 (9)	49%	189,930	57,351	100%
Gunbarrel Pointe Chattanooga, TN	2000	100%	281,525	155,525	99%
Hamilton Corner Chattanooga, TN	1990/2005	90%	69,695	69,695	86%
Hamilton Crossing Chattanooga, TN	1987/2005	92%	194,592	101,479	94%
Harford Annex Bel Air, MD	1973/2003	100%	107,903	107,903	100%
The Landing at Arbor Place Atlanta(Douglasville), GA	1999	100%	169,523	91,836	85%
Layton Hills Convenience Center Layton, UT	1980	100%	93,892	93,892	93%
Layton Hills Plaza Layton, UT	1989	100%	19,500	19,500	76%
Madison Plaza	1984	100%	153,085	98,690	93%

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Huntsville, AL

Parkdale Crossing Beaumont, TX	2002	100%	96,102	96,102	98%
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Pemberton Plaza Vicksburg, MS	1986	10%	77,894	26,948	75%
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The Shoppes at Hamilton Place Chattanooga, TN	2003	92%	125,301	125,301	98%
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Associated Center/ Location	Year of Opening/ Most Recent Expansion	Company's Ownership	Total GLA(1)	Total Leasable GLA(2)	Percentage GLA Occupied(3)
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The Shoppes at Panama City Panama City, FL	2004	100%	66,503	66,503	86%
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Sunrise Commons Brownsville, TX	2001	100%	100,567	100,567	100%
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The Terrace Chattanooga, TN	1997	92%	156,297	117,025	100%
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Triangle Town Place Raleigh, NC	2004	50%	149,471	149,471	100%
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Village at Rivergate Nashville, TN	1981/1998	100%	166,366	66,366	75%
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West Towne Crossing Madison, WI	1980	100%	436,878	169,195	100%
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Westgate Crossing Spartanburg, SC	1985/1999	100%	157,838	157,838	95%
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Westmoreland Crossing Greensburg, PA	2002	100%	277,483	277,483	86%
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Total Associated Centers			4,528,137	3,234,876	84%
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Associated Centers Lease Expirations

The following table summarizes the scheduled lease expirations for Associated Center tenants in occupancy as of December 31, 2005.

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Year Ending December 31,	Number of Leases Expiring	Annualized Base Rent of Expiring Leases (1)	GLA of Expiring Leases	Average Annualized Base Rent Per Square Foot	Expiring Leases as % of Total Annualized Base Rent (2)	L %
2006	28	\$1,156,000	83,000	\$13.99	4.2%	
2007	36	1,794,000	165,000	10.87	6.5%	
2008	32	2,217,000	218,000	10.19	8.1%	
2009	27	2,602,000	230,000	11.33	9.5%	
2010	27	3,058,000	335,000	9.12	11.2%	
2011	11	2,924,000	301,000	9.73	10.7%	
2012	18	3,470,000	282,000	12.32	12.7%	
2013	10	1,246,000	101,000	12.34	4.5%	
2014	15	2,432,000	236,000	10.29	8.9%	
2015	18	2,310,000	448,000	17.01	8.4%	

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Community Centers

We own a controlling interest in seven Community Centers. We also own a non-controlling interest in one Community Center and a controlling interest in one community center expansion that are currently under construction.

Community Centers typically have less development risk because of shorter development periods and lower costs. While Community Centers generally maintain higher occupancy levels and are more stable, they typically have slower rent growth because the anchor stores' rents are typically fixed and are for longer terms.

Community Centers are designed to attract local and regional area customers and are typically anchored by a combination of supermarkets, or value-priced stores that attract shoppers to each center's small shops. The tenants at our Community Centers typically offer necessities, value-oriented and convenience merchandise.

We own the land underlying the Community Centers in fee simple interest, except for Massard Crossing and Wilkes-Barre Township Marketplace, which are subject to long-term ground leases for all or a portion of the land underlying these properties.

The following tables sets forth certain information for each of our Community Centers at December 31, 2005:

Community Center/ Location	Year of Opening/ Most Recent Expansion	Company's Ownership	Total GLA (1)	Total Leasable GLA (2)	Percentage GLA Occupied (3)	
Chicopee Marketplace Chicopee, MA	2005	100%	439,602	151,263	100%	iParty, Ma Ocean Stat
Cobblestone at Royal Palm Royal Palm Beach, FL	2005	100%	33,207	33,207	100%	Staples Target (4)

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Fashion Square(5) Orange Park, FL	2004	100%	30,368	30,368	79%	None
Massard Crossing Ft. Smith, AR	2001	10%	300,717	98,410	100%	Goody's, T Wal*Mart (4
Springdale Center Mobile, AL	1960/2002	100%	780,041	644,155	96%	Barnes & N Buy, Burlin Factory, D Bridal, Go Linens N T Marquee Ci McRae's, O Sam's Club Wherehouse
Wilkes-Barre Township Marketplace Wilkes-Barre Township, PA	2004	100%	305,770	100,770	100%	A.C. Moore Fashion Bu Wal*Mart (4
Willowbrook Plaza Houston, TX	1999	10%	386,185	292,635	87%	American Multi-Cine Depot (7), Furnishing 'N Things
Total Community Centers			2,275,890	1,350,808	95%	

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Community Centers Lease Expirations

The following table summarizes the scheduled lease expirations for tenants in occupancy at Community Centers as of December 31, 2005:

Year Ending December 31,	Number of Leases Expiring	Annualized Base Rent of Expiring Leases (1)	GLA of Expiring Leases	Average Annualized Base Rent Per Square Foot	Expiring Leases as % of Total Annualized Base Rent (2)	L %
2006	5	\$ 247,906	13,824	\$17.93	3.4%	
2007	14	1,047,349	117,513	8.91	14.4%	
2008	9	341,212	18,172	18.78	4.7%	
2009	5	174,462	8,504	20.52	2.4%	
2010	19	1,091,688	61,914	17.63	15.0%	
2011	5	375,922	21,263	17.68	5.2%	
2012	3	117,273	8,943	13.11	1.6%	
2013	1	69,000	4,000	17.25	0.9%	
2014	3	469,199	29,215	16.06	6.4%	
2015	9	1,396,763	103,297	13.52	19.2%	

Mortgages

We own eight mortgages that are collateralized by first mortgages or wrap-around mortgages on the underlying real estate and related improvements.

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The mortgages are more fully described on Schedule IV in Part IV of this report.

Office Buildings

We own a 92% interest in the 128,000 square foot office building where our corporate headquarters is located. As of December 31, 2005, we occupied 65% of the total square footage of the building.

Mortgage Loans Outstanding At December 31, 2005 (in thousands)

Property	Our Ownership Interest in the Property	Interest Rate	Principal Balance as of 12/31/05 (1)	Annual Debt Service	Maturity Date
Consolidated Debt Malls:					
Arbor Place	100%	6.51%	\$ 76,525	\$ 6,610	Jul-12
Asheville Mall	100%	6.98%	67,780	5,677	Sep-11
Bonita Lakes Mall	100%	6.82%	25,789	2,503	Oct-09
Brookfield Square	100%	5.08%	104,876	6,822	Nov-15
Burnsville Center	100%	8.00%	68,272	6,900	Aug-10
Cary Towne Center	100%	6.85%	86,114	7,077	Mar-09
Chapel Hill Mall	100%	5.32% (3)	64,000	3,405	May-06
Cherryvale Mall	100%	5.00%	93,774	6,055	Nov-15
Citadel Mall	100%	7.39%	29,939	3,174	May-07
Columbia Place	100%	5.45%	32,471	2,493	Oct-13
Coolsprings Galleria	100%	6.22%	128,574	9,618	Sep-10
Cross Creek Mall	100%	5.00%	62,645	5,401	Apr-12

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Property	Our Ownership Interest in the Property	Interest Rate	Principal Balance as of 12/31/05 (1)	Annual Debt Service	Maturity Date
East Towne Mall	100%	5.00%	79,807	5,153	Nov-15
Eastgate Mall	100%	4.55% (5)	56,335	3,501	Dec-09
Eastland Mall	100%	5.85%	59,400	3,475	Dec-15
Fashion Square	100%	6.51%	58,591	5,061	Jul-12
Fayette Mall	100%	7.00%	93,028	7,824	Jul-11
Greenbrier Mall	100%	5.37% (3)	92,650	4,975	Apr-06
Hamilton Place	90%	7.00%	61,640	6,361	Mar-07
Hanes Mall	100%	7.31%	105,990	10,726	Jul-08
Hickory Hollow Mall	100%	6.77%	86,136	7,723	Aug-08
Hickory Point Mall	100%	5.85%	33,116	2,347	Dec-15
Honey Creek Mall	100%	4.75%	32,178	2,786	Apr-09
Janesville Mall	100%	8.38%	12,816	1,857	Apr-16
Jefferson Mall	100%	6.51%	42,629	3,682	Jul-12
Laurel Park Place	100%	8.50%	50,297	4,985	Dec-12
Layton Hills Mall	100%	5.29% (3)	102,850	5,441	Jul-06

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Mall del Norte	100%	5.04%	113,400	5,715	Dec-14
Meridian Mall	100%	4.52% (3)	91,090	6,416	Oct-08
Midland Mall	100%	5.38%	30,000	1,613	Jun-06
Monroeville Mall	100%	5.30%	129,990	10,363	Jan-13
Northpark Mall	100%	5.50%	40,682	3,171	Mar-09
Northwoods Mall	100%	6.51%	61,033	5,271	Jul-12
Oak Hollow Mall	75%	7.31%	43,073	4,709	Feb-08
Oak Park Mall	100%	5.85%	275,700	16,128	Dec-15
Old Hickory Mall	100%	6.51%	33,803	2,920	Jul-12
Panama City Mall	100%	7.30%	39,290	3,373	Aug-12
Park Plaza Mall	100%	4.90%	40,757	3,943	May-10
Parkdale Mall	100%	5.01%	54,274	4,003	Sep-10
Randolph Mall	100%	6.50%	14,740	1,272	Jul-12
Regency Mall	100%	6.51%	33,427	2,887	Jul-12
Rivergate Mall	100%	6.77%	69,614	6,240	Aug-08
Southpark Mall	100%	5.10%	36,655	3,308	May-12
St. Clair Square	100%	7.00%	65,596	6,361	Apr-09
Stroud Mall	100%	8.42%	31,252	2,977	Dec-10
Valley View Mall	100%	5.10%	43,840	4,362	Sep-10
Volusia Mall	100%	4.75%	53,721	4,259	Mar-09
Wausau Center	100%	6.70%	12,927	1,238	Dec-10
West Towne Mall	100%	5.00%	112,728	7,279	Nov-15
Westgate Mall	100%	6.50%	52,953	4,570	Jul-12
Westmoreland Mall	100%	5.05%	79,996	5,993	Jan-13
York Galleria	100%	8.34%	49,965	4,727	Dec-10

3,418,728 264,730

Associated Centers:

Bonita Lakes Crossing	100%	6.82%	8,081	784	Oct-09
Chapel Hill Suburban	100%	5.37% (3)	2,500	134	May-06
Courtyard At Hickory Hollow	100%	6.77%	4,010	360	Aug-08
Eastgate Crossing	100%	6.38%	9,980	1,018	Apr-07
Hamilton Corner	90%	10.13%	2,023	471	Aug-11
Parkdale Crossing	100%	5.01%	8,570	632	Sep-10
The Landing At Arbor Place	100%	6.51%	8,638	746	Jul-12

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Property	Our Ownership Interest in the Property	Interest Rate	Principal Balance as of 12/31/05 (1)	Annual Debt Service	Maturity Date
Village At Rivergate	100%	6.77%	3,288	295	Aug-08
Westgate Crossing	100%	8.42%	9,483	907	Jul-10
			----- 56,573	----- 5,347	

Community Centers:

Massard Crossing, Pemberton Plaza and Willowbrook Plaza	10%	7.54%	37,407	3,264	Feb-12
			----- 37,407	----- 3,264	

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Other:

CBL Center	92%	6.25%	14,369	1,108	Aug-12
Secured Credit Facilities	100%	5.29% (7)	412,285	21,795	(8)
Unsecured Credit Facility	100%	5.29% (3)	278,000	14,705	Aug-06
			704,654	37,608	

Construction Properties:

The Plaza at Fayette	100%	5.91% (3)	8,550	505	Dec-06
Southaven Towne Center	100%	5.97% (3)	23,649	1,412	June-07
Gulf Coast Town Center	50%	5.63% (3)	42,020	2,364	Sep-08
Lakeview Pointe	100%	5.49% (3)	2,612	143	Nov-08
			76,831	4,424	

Unamortized Premiums and Other:

46,862 (11)

Total Consolidated Debt

\$4,341,055 \$ 315,373

Unconsolidated Debt:

Coastal Grand-Myrtle Beach	50%	5.09%	\$ 97,615	\$ 7,078	Oct-14
Governor's Square Mall	48%	8.23%	30,584	3,476	Sep-16
Imperial Valley Mall	60%	4.99% (12)	59,855	3,859	Sep-15
Kentucky Oaks Mall	50%	9.00%	30,507	3,573	Jun-07
Parkway Place	45%	5.30% (13)	53,200	2,820	Jun-08
Plaza del Sol	51%	9.15%	3,012	796	Aug-10
Triangle Town Center	50%	5.74%	200,000	14,367	Sec-15

Total Unconsolidated Debt

\$ 474,773 \$ 35,969

Total Consolidated and Unconsolidated Debt

\$4,815,828 \$351,342

Company's Pro-Rata Share of Total Debt (14)

\$4,531,731 \$327,472

ITEM 3. LEGAL PROCEEDINGS

We are currently involved in certain 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

The New York Stock Exchange is the principal United States market in which our common stock is traded.

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The high and low sales prices for our common stock for each quarter of our two most recent fiscal years were as follows, as adjusted for the 2-for-1 stock split in June 2005:

Quarter Ended	High	Low
2005:		
March 31	\$39.03	\$33.32
June 30	\$44.05	\$35.33
September 30	\$46.80	\$39.30
December 31	\$42.15	\$35.15
2004:		
March 31	\$31.05	\$27.73
June 30	\$31.09	\$22.90
September 30	\$31.83	\$26.41
December 31	\$38.57	\$30.40

----- Holders

There were approximately 643 shareholders of record for our common stock as of March 10, 2006.

----- Dividends

The frequency and amounts of dividends declared and paid on the common stock for each quarter of our two most recent fiscal years were as follows, as adjusted for the 2-for-1 stock split in June 2005:

Quarter Ended	2005	2004
March 31	\$0.40625	\$0.3625
June 30	\$0.40625	\$0.3625
September 30	\$0.40625	\$0.3625
December 31	\$0.54750 (1)	\$0.40625

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Future dividend distributions are subject to our actual results of operations, economic conditions and such other factors as our board of directors deems relevant. Our actual results of operations will be affected by a number of factors, including the revenues received from the Properties, our operating expenses, interest expense, the ability of the anchors and tenants at the Properties to meet their obligations and unanticipated capital expenditures.

----- Securities Authorized For Issuance Under Equity Compensation Plans

See Part III, Item 12.

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Recent Sales Of Unregistered Securities; Use Of Proceeds From

Registered Securities

None

Report Of Offering Of Securities And Use Of Proceeds Therefrom

(b) None

Purchases Of Equity Securities By The Issuer And Affiliated Purchasers

(c) The following table presents information with respect to repurchases of common stock made by us during the three months ended December 31, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (6)	Approximate Dolla Value of Shares that May Ye Be Purchased Under the Plan (
-----	-----	-----	-----	-----
Oct. 1-31, 2005	10,399(1)	\$37.77(2)	--	--
Nov. 1-30, 2005	796,301(3)	\$39.89(3)	794,460	\$28,308,307.74 (
Dec. 1-31, 2005	576,574	\$40.42(4)	576,574	\$ 5,002,034.58 (
Total	1,383,274	\$40.09(5)	1,371,034	\$ 5,002,034.58 (
	=====	=====	=====	=====

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(In thousands, except per share data)

	Year Ended December 31,		
	2005	2004	2003
	-----	-----	-----
Total revenues(2)	\$907,459	\$781,143	\$690,127
Total expenses(2)	504,993	437,668	374,399
Income from operations	402,466	343,475	315,728
Interest income	6,831	3,355	2,485
Interest expense	(208,183)	(177,219)	(153,321)
Loss on extinguishment of debt	(6,171)	-	(167)
Gain on sales of real estate assets	53,583	29,272	77,765
Gain on sale of management contracts	21,619	-	-
Equity in earnings of unconsolidated affiliates	8,495	10,308	4,941
Minority interest in earnings:			
Operating partnership	(112,061)	(85,186)	(106,532)
Shopping center properties	(4,879)	(5,365)	(2,758)
Income before discontinued operations	161,700	118,640	138,141
Discontinued operations	775	2,471	5,998
Net income	162,475	121,111	144,139

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Preferred dividends	(30,568)	(18,309)	(19,633)
	-----	-----	-----
Net income available to common shareholders	\$131,907	\$102,802	\$124,506
	=====	=====	=====
Basic earnings per common share:			
Income before discontinued operations, net of preferred dividends	\$ 2.09	\$ 1.63	\$ 1.98
	=====	=====	=====
Net income available to common shareholders	\$ 2.10	\$ 1.67	\$ 2.08
	=====	=====	=====
Weighted average shares outstanding	62,721	61,602	59,872
Diluted earnings per common share:			
Income before discontinued operations, net of preferred dividends	\$ 2.02	\$ 1.57	\$ 1.90
	=====	=====	=====
Net income available to common shareholders	\$ 2.03	\$ 1.61	\$ 2.00
	=====	=====	=====
Weighted average shares and potential dilutive common shares outstanding	64,880	64,004	62,386
Dividends declared per common share	\$ 1.77	\$ 1.49	\$ 1.35

		December 31, (1)	
		-----	-----
		2005	2004
		-----	-----
BALANCE SHEET DATA:			
Net investment in real estate assets	\$5,944,428	\$4,894,780	\$3,912,220
Total assets	6,352,322	5,204,500	4,264,310
Total mortgage and other notes payable	4,341,055	3,371,679	2,738,102
Minority interests	609,475	566,606	527,431
Shareholders' equity	1,081,522	1,054,151	837,300
OTHER DATA:			
Cash flows provided by (used in):			
Operating activities	\$389,574	\$339,197	\$274,349
Investing activities	(712,508)	(608,651)	(312,366)
Financing activities	326,006	274,888	44,994
Funds From Operations (FFO) (3) of the Operating Partnership	\$389,958	\$310,405	\$271,589
FFO applicable to the Company	213,596	169,725	146,552

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Certain statements made in this section or elsewhere in this report may be deemed "forward looking statements" within the meaning of the federal securities laws. Although we believe the expectations reflected in any forward-looking

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statements are based on reasonable assumptions, we can give no assurance that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. In addition to the risk factors discussed in Item 1A of our annual report on Form 10-K for the year ending December 31, 2005, such risks and uncertainties include, without limitation, general industry, economic and business conditions, interest rate fluctuations, costs of capital and capital requirements, availability of real estate properties, inability to consummate acquisition opportunities, competition from other companies and retail formats, changes in retail rental rates in 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, the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future business. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

Executive Overview

We are a self-managed, self-administered, fully integrated real estate investment trust ("REIT") that is engaged in the ownership, development, acquisition, leasing, management and operation of regional shopping malls and community centers. Our shopping centers are located in 27 states, but primarily in the southeastern and midwestern United States.

As of December 31, 2005, we owned controlling interests in 72 regional malls (we include large open-air centers in malls), 27 associated centers (each adjacent to a regional mall), seven community centers, and three 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 December 31, 2005, we owned non-controlling interests in seven regional malls and three associated centers. Because major decisions such as the acquisition, sale or refinancing of principal partnership or joint venture assets must be approved by one or more of the other partners, we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. We had two mall expansions, two open-air shopping centers, one open-air shopping center expansion, two associated centers, one community center, which is owned in a joint venture, and one community center expansion under construction as of December 31, 2005.

The majority of our revenues are derived from leases with retail tenants and generally include minimum rents, percentage rents based on tenants' sales volumes and reimbursements from tenants for expenditures related to property operating expenses, real estate taxes and maintenance and repairs, as well as certain 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 a premium value for the assets. Proceeds from such sales are generally used to reduce borrowings on our credit facilities.

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We expanded our portfolio in 2005 with the acquisition of six malls and one associated center, representing a total investment of \$884.7 million. We also formed a 50/50 joint venture to own one mall and its associated center, which was valued at \$283.5 million. We opened seven new developments and seven property expansions totaling 2.4 million square feet, including the 754,000 square foot regional mall Imperial Valley Mall in El Centro, CA, which we own in a joint venture. We have approximately 1.7 million square feet of new

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developments, which represent \$191.1 million of net investment, that are scheduled to open during 2006. We also added a total of 14 big box tenants and an anchor retailer to our malls, which have made positive contributions by strengthening the tenant mix of these properties.

Results of Operations

Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004

The following significant transactions impacted the consolidated results of operations for the year ended December 31, 2005, compared to the year ended December 31, 2004:

|X| Since January 1, 2004, we have acquired or opened 17 malls, two open-air centers and five associated centers (collectively referred to as the "2005 New Properties"). The 2005 New Properties are as follows:

Property	Location	Date Acquired

Acquisitions:		

Honey Creek Mall	Terre Haute, IN	March 2004
Volusia Mall	Daytona Beach, FL	March 2004
Greenbrier Mall	Chesapeake, VA	April 2004
Chapel Hill Mall	Akron, OH	May 2004
Chapel Hill Suburban	Akron, OH	May 2004
Park Plaza Mall	Little Rock, AR	June 2004
Monroeville Mall	Monroeville, PA	July 2004
Monroeville Annex	Monroeville, PA	July 2004
Northpark Mall	Joplin, MO	November 2004
Mall del Norte	Laredo, TX	November 2004
Laurel Park Place	Livonia, MI	June 2005
The Mall of Acadiana	Lafayette, LA	July 2005
Layton Hills Mall	Layton, UT	November 2005
Layton Hills Convenience Center	Layton, UT	November 2005
Oak Park Mall	Overland Park, KS	November 2005
Eastland Mall	Bloomington, IL	November 2005
Hickory Point Mall	Forsyth, IL	November 2005
Triangle Town Center (50/50 joint venture)	Raleigh, NC	November 2005
Triangle Town Place (50/50 joint venture)	Raleigh, NC	November 2005
New Developments:		

Coastal Grand-Myrtle Beach	Myrtle Beach, SC	March 2004
The Shoppes at Panama City	Panama City, FL	March 2004
Imperial Valley Mall	El Centro, CA	March 2005
Southaven Towne Center	Southaven, MS	October 2005
Gulf Coast Town Center - Phase I (50/50 joint venture)	Ft. Myers, FL	November 2005

|X| In January 2005, two power centers, one community center and one community center expansion were sold to Galileo America LLC ("Galileo America"). Since we had a continuing involvement with these properties

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through our ownership interest in Galileo America and the agreement under which we were the exclusive manager of the properties, the results of operations of these properties were not reflected in discontinued operations. Therefore, the year ended December 31, 2005, does not include a significant amount of revenues and expenses related to these properties, whereas the year ended December 31, 2004 includes a full period of revenues and expenses related to these properties.

[X] In August 2005, Galileo America redeemed our 8.4% ownership interest by distributing two community centers to us: Springdale Center in Mobile, AL, and Wilkes-Barre Township Marketplace in Wilkes-Barre Township, PA. We also sold our management and advisory contracts with Galileo America to New Plan Excel Realty Trust, Inc. ("New Plan"). See Note 5 to the consolidated financial statements for a more thorough discussion of these transactions.

Properties that were in operation for the entire period during 2005 and 2004 are referred to as the "2005 Comparable Properties" in this section.

Revenues

The \$126.3 million increase in revenues was primarily attributable to increases of \$92.2 million from the 2005 New Properties and \$30.4 million from the 2005 Comparable Properties. These increases were offset by a reduction in revenues of \$7.0 million related to the community centers that were sold to Galileo America in January 2005.

The increase in revenues of the 2005 Comparable Properties was driven by our ability to maintain high occupancy levels while achieving a weighted average increase of 6.5% in rents from both new leases and lease renewals for comparable small shop spaces, as well as an increase in percentage rents.

The increase in management, development and leasing fees of \$10.7 million was primarily attributable to management and leasing fees received from Galileo America prior to the redemption of our interest in Galileo America, plus an \$8.0 million acquisition fee received from Galileo America that was related to Galileo America's acquisition of an approximately \$1.0 billion portfolio of shopping center properties from New Plan.

Operating Expenses

Property operating expenses including real estate taxes and maintenance and repairs, increased as a result of increases of \$29.7 million from the 2005 New Properties and \$1.6 million from the 2005 Comparable Properties. This was offset by a decrease of \$2.6 million related to the community centers that were sold to Galileo America in January 2005.

The increase in depreciation and amortization expense resulted from increases of \$28.6 million from the 2005 New Properties and \$8.9 million from the 2005 Comparable Properties. The increase attributable to the 2005 Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance.

General and administrative expenses increased \$3.9 million during 2005. Severance packages for individuals affected by the sale of our management and advisory contracts with Galileo America contributed \$1.3 million to the increase. The remainder of the increase is related to additional salaries and benefits for the personnel added to manage the properties acquired during 2005 and 2004 combined with annual compensation increases for existing personnel. As a percentage of revenues, general and administrative expenses decreased to 4.3% in 2005 compared with 4.5% in 2004.

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We recognized a loss on impairment of real estate assets of \$1.3 million during 2005, which was related to a \$1.0 million reduction in the carrying value

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of assets identified as held for sale at December 31, 2005, and an additional loss of \$0.3 million related to the properties that were sold to Galileo America in January 2005. The additional impairment loss of \$0.3 million was related the adjustment of certain estimated amounts when the actual amounts became known in 2005. We recognized a loss on impairment of real estate assets of \$3.1 million during 2004 when we reduced the carrying value of ten community centers to their respective estimated fair values. The ten community centers included four community centers that were sold to Galileo America in January 2005, five community centers that were sold to a third party during March 2005 and one community center that was sold for a loss during the fourth quarter of 2004.

Other Income and Expenses

Interest expense increased \$31.0 million primarily due to the debt on the 2005 New Properties, the refinancings that were completed on the 2005 Comparable Properties and an increase in variable interest rates.

Gain on sales of real estate assets of \$53.6 million in 2005 includes \$44.2 million of gains related to the redemption of our ownership interest in Galileo America, \$1.0 million from the recognition of deferred gain on properties that were previously sold to Galileo America and \$8.4 million of gains on the sales of eleven outparcels. The gain on sales of real estate assets of \$29.3 million in 2004 included \$26.8 million of gain related to the second phase of the Galileo America joint venture and \$2.5 million of gain on sales of seven outparcels at various properties.

The gain on sales of management contracts of \$21.6 million represents the gain on the sale of our management and advisory contracts with Galileo America to New Plan in August 2005.

Equity in earnings of unconsolidated affiliates decreased by \$1.8 million in 2005 as a result the redemption of our interest in Galileo America in August 2005. Additionally, although Coastal Grand-Myrtle Beach and Imperial Valley Mall opened in March 2004 and March 2005, respectively, our equity in the earnings of these two properties was flat compared to the prior year. This was due to the mortgage loan that was placed on Coastal Grand-Myrtle Beach in September 2004, which is at a fixed interest rate that is higher than the previous variable rate loan.

Discontinued operations for 2005 represent the operations of the six community centers we sold during 2005, the operations of the two community centers that were classified as held for sale as of December 31, 2005 and the operations of three community centers that were sold in May 2006. Discontinued operations during 2004 reflect the results of two community centers that we sold during 2004, as well as the results of the properties described in the previous sentence.

Comparison of the Year Ended December 31, 2004 to the Year Ended December 31, 2003

The following significant transactions impacted the consolidated results of operations for the year ended December 31, 2004, compared to the year ended December 31, 2003:

|X| Since January 1, 2003, we have acquired or opened 15 malls, six

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associated centers and two community centers (collectively referred to as the "2004 New Properties"). The 2004 New Properties are as follows:

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Property	Location	Date Acquired / Opened

Acquisitions:		

Sunrise Mall	Brownsville, TX	April 2003
Sunrise Commons	Brownsville, TX	April 2003
Cross Creek Mall	Fayetteville, NC	September 2003
River Ridge Mall	Lynchburg, VA	October 2003
Valley View Mall	Roanoke, VA	October 2003
Southpark Mall	Colonial Heights, VA	December 2003
Harford Mall	Bel Air, MD	December 2003
Harford Annex	Bel Air, MD	December 2003
Honey Creek Mall	Terre Haute, IN	March 2004
Volusia Mall	Daytona Beach, FL	March 2004
Greenbrier Mall	Chesapeake, VA	April 2004
Chapel Hill Mall	Akron, OH	May 2004
Chapel Hill Suburban	Akron, OH	May 2004
Park Plaza Mall	Little Rock, AR	June 2004
Monroeville Mall	Monroeville, PA	July 2004
Monroeville Annex	Monroeville, PA	July 2004
Northpark Mall	Joplin, MO	November 2004
Mall del Norte	Laredo, TX	November 2004
New Developments:		

The Shoppes at Hamilton Place	Chattanooga, TN	May 2003
Waterford Commons	Waterford, CT	September 2003
Wilkes-Barre Township Marketplace	Wilkes-Barre Township, PA	March 2004
Coastal Grand-Myrtle Beach	Myrtle Beach, SC	March 2004
The Shoppes at Panama City	Panama City, FL	March 2004

[X] In October 2003, we sold 41 community centers to Galileo America. We sold six additional community centers to Galileo America in January 2004. Since we had continuing involvement with these properties through our ownership interest in Galileo America and our role as manager of the properties, the results of operations of these properties were not reflected in discontinued operations. Therefore, the year ended December 31, 2003 includes results of operations for these properties through the dates they were sold.

[X] Effective January 1, 2004, we began to consolidate the results of operations of PPG Venture I Limited Partnership, which owns two community centers and one associated center (the "PPG Properties"), as a result of the adoption of a new accounting pronouncement. The PPG Properties were accounted for as unconsolidated affiliates using the equity method of accounting prior to January 1, 2004.

Properties that were in operation for the entire period during 2004 and 2003 are referred to as the "2004 Comparable Properties" in this section.

Revenues

The \$87.4 million increase in revenues was primarily attributable to

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increases of \$116.0 million from the 2004 New Properties, \$7.5 million related to the PPG Properties and \$2.1 million from the 2004 Comparable Properties. These increases were offset by a reduction in revenues of \$42.5 million related to the community centers that were sold to Galileo America in October 2003 and January 2004.

The increase in revenues of the 2004 Comparable Properties was driven by our ability to maintain high occupancy levels, while achieving an increase of 3.3% in rents from both new leases and lease renewals for comparable small shop spaces.

An increase in management and leasing fees of \$2.8 million received from Galileo America was the primary contributor to the \$4.3 million increase in

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management, development and leasing fees. The \$2.8 million increase in other revenues is primarily attributable to a growth in revenues that we receive from providing security and maintenance services to third parties.

Operating Expenses

Property operating expenses including real estate taxes and maintenance and repairs, increased as a result of increases of \$39.8 million from the 2004 New Properties and \$2.2 million from the PPG Properties, offset by decreases of \$9.4 million related to the community centers that were sold to Galileo America and \$15.1 million in operating expenses of the 2004 Comparable Properties.

The increase in depreciation and amortization expense resulted from increases of \$29.0 million from the 2004 New Properties, \$1.0 million related to the PPG Properties and \$6.6 million from the 2004 Comparable Properties. These increases were offset by a decrease of \$7.4 million related to the community centers that we sold to Galileo America in October 2003 and January 2004. The increase attributable to the 2004 Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance.

General and administrative expenses increased \$4.9 million during 2004. As a percentage of revenues, this was only a 0.1% increase over the comparable 2003 amount. General and administrative expenses were significantly impacted by an additional \$1.1 million of expenses in 2004 related to compliance with Section 404 of the Sarbanes-Oxley Act of 2002. State tax expenses also increased \$1.8 million as a result of our continued growth. The remainder of the increase is attributable to additional salaries and benefits for the personnel added to manage the properties acquired during 2004 and 2003 combined with annual compensation increases for existing personnel.

We identified ten community centers and recorded a loss on impairment of real estate assets of \$3.1 million to reduce the carrying value of these properties to their respective estimated fair values based on estimates of the selling prices to be received from the sales of nine centers in 2005. One community center was sold for a loss during the fourth quarter of 2004.

Other Income and Expenses

Interest expense increased \$23.9 million primarily due to the debt on the 2004 New Properties and the PPG Properties, as well as the additional financings that were obtained on the 2004 Comparable Properties. The increase was offset by a reduction in interest expense related to the Galileo Transaction as well as normal principal amortization.

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The gain on sales of real estate assets of \$29.3 million in 2004 included \$26.8 million of gain related to the Galileo Transaction and \$2.5 million of gain on sales of seven outparcels at various properties.

Equity in earnings of unconsolidated affiliates increased by \$5.4 million in 2004 as a result of our interest in Galileo America and the opening of Coastal Grand-Myrtle Beach in March 2004.

We sold two community centers during 2004 for a gain on discontinued operations of \$0.9 million. We sold one community center for a loss of \$0.1 million, which was included in loss on impairment of real estate assets. Operating income from discontinued operations decreased in 2004 because the properties were owned for a shorter period of time in 2004 than in 2003, and because 2003 includes the operations of properties that were sold during 2003.

Operational Review

The shopping center business is, to some extent, seasonal in nature with tenants achieving the highest levels of sales during the fourth quarter because

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of the holiday season, which results in higher percentage rent income in the fourth quarter. Additionally, the malls earn most of their short-term rents during the holiday period. Thus, occupancy levels and revenue production are generally the highest in the fourth quarter of each year. Results of operations realized in any one quarter may not be indicative of the results likely to be experienced over the course of the fiscal year.

We classify our regional malls into two categories - malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include Parkway Place in Huntsville, AL, which opened in October 2002; Coastal Grand-Myrtle Beach in Myrtle Beach, SC, which opened in March 2004; Imperial Valley Mall in El Centro, CA, which opened in March 2005; Southaven Towne Center in Southaven, MS, which opened in October 2005; and Gulf Coast Town Center (Phase I) in Ft. Myers, FL, which opened in November 2005.

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

	Year Ended December 31,	
	2005	2004
Malls	91.2%	90.2%
Associated centers	3.8%	4.1%
Community centers	0.9%	2.3%
Mortgages, office building and other	4.1%	3.4%

Sales and Occupancy Costs

Mall store sales (for those tenants who occupy 10,000 square feet or less and have reported sales) in the stabilized malls increased 4.1% on a comparable

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per square foot basis to \$330 per square foot for 2005 compared with \$317 per square foot for 2004.

Occupancy costs as a percentage of sales for the stabilized malls were 11.8% and 12.0% for 2005 and 2004, respectively.

Occupancy

Our portfolio occupancy is summarized in the following table:

	December 31,	
	2005	2004
Total portfolio	94.5%	94.0%
Total mall portfolio	94.4%	94.3%
Stabilized malls	94.7%	94.4%
Non-stabilized malls	89.4%	92.8%
Associated centers	94.1%	91.8%
Community centers (1)	95.3%	94.0%

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Leasing

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

	December 31,	
	2005	2004
Stabilized malls	\$26.87	\$25.60
Non-stabilized malls	27.41	26.33
Associated centers	10.55	9.77
Community centers (1)	9.61	8.12
Other	19.33	19.10

During 2005, we achieved positive results from new and renewal leasing of comparable small shop space for spaces that were previously occupied as summarized in the following table:

	Square Feet	Base Rent Per Square Foot Prior Lease	Initial Base Rent Per Square Foot New Lease	% Change Initial	Average Ba Rent Per Square Fo New Leas
Year-To-Date:					
Stabilized Malls	2,235,715	\$25.18	\$26.10	3.7%	\$26.72

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Associated centers	101,624	13.54	16.91	24.9%	17.26
Community centers (1)	54,469	16.56	16.67	0.7%	16.69
Other	8,364	15.69	17.66	12.5%	17.89
	-----	-----	-----	-----	-----
	2,400,172	\$24.46	\$25.47	4.1%	\$26.06
	=====	=====	=====	=====	=====

Liquidity and Capital Resources

There was \$28.8 million of unrestricted cash and cash equivalents as of December 31, 2005, an increase of \$3.1 million from December 31, 2004. Cash flows from operations are used to fund short-term liquidity and capital needs such as tenant construction allowances, capital expenditures and payments of dividends and distributions. For longer-term liquidity needs such as acquisitions, new developments, renovations and expansions, we typically rely on property specific mortgages (which are generally non-recourse), construction and term loans, revolving lines of credit, common stock, preferred stock, joint venture investments and a minority interest in the Operating Partnership.

Cash provided by operating activities increased \$50.4 million to \$389.6 million for the year ended December 31, 2005. The increase was primarily attributable to the operations of the 2005 New Properties plus the acquisition fee earned in connection with Galileo America's transaction with New Plan.

Debt

During 2005, we borrowed \$946.8 million under mortgage and other notes payable and paid \$353.8 million to reduce outstanding borrowings. We also assumed \$385.8 million in debt and recorded a debt premium of \$10.6 million in connection with the acquisitions of six malls and two associated centers. We paid \$6.5 million in connection with the extinguishment of certain mortgage notes payable during 2005 and paid \$3.4 million in financing costs in connection with the new borrowings.

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

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	Consolidated	Minority Interests	Unconsolidated Affiliates
	-----	-----	-----
December 31, 2005:			
Fixed-rate debt:			
Non-recourse loans on operating properties	\$ 3,281,939	\$ (51,950)	\$ 216,026
Variable-rate debt:			
Recourse term loans on operating properties	292,000	-	26,600
Construction loans	76,831	-	-
Lines of credit	690,285	-	-
	-----	-----	-----
Total variable-rate debt	1,059,116	-	26,600

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Total	\$ 4,341,055	\$ (51,950)	\$ 242,626
December 31, 2004:			
Fixed-rate debt:			
Non-recourse loans on operating properties	\$ 2,688,186	\$ (52,914)	\$ 104,114
Variable-rate debt:			
Recourse term loans on operating properties	207,500	-	29,415
Construction loans	14,593	-	39,493
Lines of credit	461,400	-	-
Total variable-rate debt	683,493	-	68,908
Total	\$ 3,371,679	\$ (52,914)	\$ 173,022

In February 2005, we amended one of our secured credit facilities to increase the total availability from \$80.0 million to \$100.0 million and to extend the maturity by one year to June 2007. The interest rate remained at LIBOR plus 1.00% until it was reduced to LIBOR plus 0.9% in December 2005.

As of December 31, 2005, we had four secured lines of credit with total availability of \$503.0 million that are used for construction, acquisition and working capital purposes. Each of these lines is secured by mortgages on certain of our operating properties. There were total borrowings of \$412.3 million outstanding at a weighted average interest rate of 5.29% as of December 31, 2005. In February 2006, we amended one of our secured credit facilities to increase the maximum availability from \$373.0 million to \$476.0 million, extend the maturity date from February 28, 2006 to February 28, 2009 plus a one-year extension option, increase the minimum tangible net worth requirement, as defined, from \$1.0 billion to \$1.37 billion and increase the limit on the maximum availability that the Company may request from \$500.0 million to \$650.0 million.

In March 2005, we retired a mortgage note payable of \$11.1 million and recognized a loss on extinguishment of \$0.9 million, which consisted of a prepayment fee of \$0.8 million and the write-off of unamortized deferred financing costs of \$0.1 million.

In September 2005, we obtained a ten-year, non-recourse mortgage note payable of \$60.0 million on Imperial Valley Mall, one of our unconsolidated affiliates, that has a fixed interest rate of 4.985% and matures in September 2015. The proceeds of the loan were used to retire the outstanding borrowings of \$58.3 million under the construction loan that was incurred to develop Imperial Valley Mall.

Also in September 2005, we retired two mortgage notes payable totaling \$52.6 million, including unamortized debt premiums of \$1.3 million. We recognized a loss on extinguishment of debt in the amount of less than \$0.1 million, which consisted of a prepayment fee of \$1.1 million and the write-off of unamortized deferred financing costs of \$0.2 million, offset by the write-off of the unamortized debt premium of \$1.3 million.

In October 2005, we obtained four new mortgage notes payable totaling \$392.0 million, which are ten-year, non-recourse loans having a weighted average interest rate of 5.02%. In connection with obtaining these new loans, we retired four loans totaling \$179.5 million. As a result of the retirement of these four

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loans, we recognized a loss on extinguishment of debt of \$5.2 million in October

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2005, which includes prepayment fees of \$4.6 million and the write-off of unamortized deferred financings costs of \$0.8 million.

The secured and unsecured credit facilities contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. We were in compliance with all financial covenants and restrictions under our credit facilities at December 31, 2005. Additionally, certain property-specific mortgage notes payable require the maintenance of debt service coverage ratios on their respective properties. At December 31, 2005, the properties subject to these mortgage notes payable were in compliance with the applicable ratios.

We expect to refinance the majority of mortgage and other notes payable maturing over the next four years with replacement loans. Based on our pro rata share of total debt, there is \$978.7 million of debt that is scheduled to mature in 2006. In January 2006, we extended the maturity of \$358.2 million of this debt to 2009. There are extension options in place to extend the maturity of \$509.1 million of this debt to 2007. We expect to repay or refinance the remaining \$111.4 million of maturing loans.

Equity

At our Annual Meeting of Shareholders on May 9, 2005, our shareholders approved an increase in the authorized shares of the common stock under our amended and restated certificate of incorporation to 180,000,000 shares from 95,000,000 shares. On May 10, 2005, our board of directors approved a two-for-one stock split of our common stock, which was effected in the form of a stock dividend. The record date for the stock split was June 1, 2005, and the distribution date was June 15, 2005. We retained the current par value of \$0.01 per share for all shares of common stock. The Operating Partnership currently has common units and special common units of limited partner interest outstanding that may be exchanged by their holders, under certain circumstances, for shares of common stock on a one-for-one basis. These common units and special common units were also split on a two-for-one basis so that they continue to be exchangeable on a one-for-one basis into shares of our common stock. All references to numbers of common shares and per share data in the accompanying consolidated financial statements, the notes thereto and this annual report have been adjusted to reflect the stock split on a retroactive basis. Shareholders' equity reflects the stock split through a reclassification of \$0.3 million from Additional Paid-In Capital to Common Stock, which represents the par value of the additional shares resulting from the split.

In October 2005, our board of directors declared a special one-time cash dividend for our common stock of \$0.09 per share. The dividend was payable on January 16, 2006, to shareholders of record as of December 30, 2005. The special dividend was declared as a result of the taxable gains generated from the sale of our management and advisory contracts with Galileo America that is discussed in Note 5 to the consolidated financial statements.

In November 2005, our board of directors approved a plan to repurchase up to \$60.0 million of our common stock by December 31, 2006. The stock repurchase plan was adopted to provide us the opportunity to repurchase shares relatively equivalent to the Series K Special Common Units that were issued in connection with the acquisition of the three-mall portfolio that is discussed in Note 3 to the consolidated financial statements. We had repurchased 1,371,034 shares of

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our common stock as of December 31, 2005 for a total of \$55.0 million, or a weighted average cost of \$40.11 per share. As of December 31, 2005, we had paid \$48.3 million of this amount and had a payable of \$6.7 million for the remainder. We do not intend to repurchase any additional shares subsequent to December 31, 2005.

In October 2005, we issued 174,403 shares of common stock to one of our officers when the officer's deferred compensation agreement was terminated. We had accrued all compensation expense related to the agreement as it was earned during the term of the agreement.

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We received \$10.2 million in proceeds from issuances of common stock during 2005 from exercises of employee stock options and our dividend reinvestment plan.

During 2005 we paid dividends of \$133.7 million to holders of our common stock and our preferred stock, as well as \$89.5 million in distributions to the minority interest investors in our Operating Partnership and certain shopping center properties.

Subsequent to December 31, 2005, holders of 1,507,649 units of limited partnership interest in the Operating Partnership exercised their conversion rights, which are described in Note 9 to the consolidated financial statements. We have elected to issue 1,480,067 shares of common stock and \$1,112 in cash in exchange for these units.

As a publicly traded company, we have access to capital through both the public equity and debt markets. In January 2006, we filed a shelf registration statement with the Securities and Exchange Commission authorizing us to publicly issue shares of preferred stock, common stock and warrants to purchase shares of common stock. There is no limit to the offering price or number of shares that we may issue under this shelf registration statement.

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

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of our equity, our debt-to-total-market capitalization (debt plus market-value equity) ratio was as follows at December 31, 2005 (in thousands, except stock prices):

	Shares Outstanding	Stock Price (1)
	-----	-----
Common stock and operating partnership units	115,438	\$ 39.51
8.75% Series B Cumulative Redeemable Preferred Stock	2,000	\$ 50.00
7.75% Series C Cumulative Redeemable Preferred Stock	460	\$250.00
7.375% Series D Cumulative Redeemable Preferred Stock	700	\$250.00

Total market equity		
Our share of total debt		

Total market capitalization		

Debt-to-total-market capitalization ratio

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Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2005 (dollars in thousands):

	Payments Due		
	Total	Less Than 1 Year	1 - Year
Long-term debt:			
Total consolidated debt service (1)	\$5,543,721	\$1,227,126	\$1,104,
Minority investors' share in shopping center properties	(69,712)	(4,887)	(23,
Our share of unconsolidated affiliates debt service (2)	380,079	16,240	60,
Our share of total debt service obligations	5,854,088	1,238,479	1,142,
Operating leases: (3)			
Ground leases on consolidated properties	58,901	1,321	3,
Minority investors' share in shopping center properties	(2,376)	(32)	
Our share of total ground lease obligations	56,525	1,289	3,
Purchase obligations: (4)			
Construction contracts on consolidated properties	46,208	46,208	
Total contractual obligations	\$5,956,821	\$1,285,976	\$1,145,

Capital Expenditures

We expect to continue to have access to the capital resources necessary to expand and develop our business. Future development and acquisition activities will be undertaken as suitable opportunities arise. We do not expect to pursue these activities unless adequate sources of financing are available and we can achieve satisfactory returns on our investments.

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

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Developments and Expansions

The following is a summary of the projects currently under construction (dollars in thousands):

Property	Location	Gross Leasable Area	Our Share of Total Costs	Our Share Costs as of December 31, 2005
Mall Expansions:				
Burnsville Center (Phase II)	Burnsville, MN	82,900	\$ 13,000	\$ 1,244
Hanes Mall (Dick's Sporting Goods)	Winston-Salem, NC	66,000	10,150	3,632
Open-Air Centers:				
Southaven Towne Center (Gordman's)	Southaven, MS	59,400	7,190	1,400
Lakeview Point	Stillwater, OK	207,300	21,095	5,940
Gulf Coast Town Center (Phase II)	Ft. Myers, FL	739,000	109,641 (1)	14,500
Associated Centers:				
The Plaza at Fayette (Phase I)	Lexington, KY	73,400	24,414	15,050
The Shoppes at St. Clair	Fairview Heights, IL	75,000	26,957	9,930
Community Center:				
High Pointe Commons	Harrisburg, PA	297,100	7,271	2,780
		1,600,100	\$219,718	\$54,490
		1,600,100	\$219,718	\$54,490

There are construction loans in place for the costs of Gulf Coast Town Center and Lakeview Pointe. We have commitments for construction loans that will cover the costs of The Plaza at Fayette and the Shoppes at St. Clair. The remaining costs will be funded with operating cash flows and the credit facilities.

We have entered into a number of option agreements for the development of future regional malls and community centers. Except for the projects listed in the above table, we do not have any other material capital commitments.

Acquisitions

We acquired six malls and one associated center during 2005 for an aggregate purchase price of \$884.7 million, including transaction costs. We paid \$426.1 million in cash, assumed \$385.8 million of debt and issued limited partnership interests in the Operating Partnership valued at \$72.9 million to fund these acquisitions. The total cash paid was funded with borrowings under our credit facilities and two new loans totaling \$136.0 million. These acquisitions are expected to generate an initial weighted-average, unleveraged return of 6.2%.

We acquired a 50/50 joint venture interest in an open-air center that was under development. We initially contributed \$40.3 million for our 50% interest, which was used to refund the aggregate acquisition and development costs incurred with respect to the project that were previously paid by our joint venture partner.

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We acquired a 50/50 joint venture interest in a mall and its associated center, which were valued at \$283.5 million. Our initial capital contribution to this joint venture was \$1.6 million of cash.

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Dispositions

We received a total of \$64.4 million in net cash proceeds from the sales of real estate assets during 2005. The third phase of the joint venture transaction with Galileo America, which is discussed in Note 5 to the consolidated financial statements, closed in January 2005 and generated net cash proceeds of \$42.5 million. We received \$8.3 million in cash proceeds and took a note receivable for \$2.6 million from the sale of six community centers. We also received \$13.6 million in cash proceeds from the sales of eleven outparcels.

We received \$21.6 million in net cash proceeds from the sale of our management and advisory contracts with Galileo America. We also received an acquisition fee of \$8.0 million as a result of Galileo America's purchase of a portfolio of properties from New Plan Excel Realty Trust, Inc. See Note 5 to the accompanying consolidated financial statements for a more detailed description of these transactions.

Other Capital Expenditures

Including our share of unconsolidated affiliates' capital expenditures, we spent \$52.8 million in 2005 for tenant allowances, which generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were \$31.5 million for 2005 and included \$12.4 million for resurfacing and improved lighting of parking lots, \$11.7 million for roof repairs and replacements and \$7.4 million for various other expenditures. Renovation expenditures were \$27.5 million in 2005.

Deferred maintenance expenditures are billed to tenants as common area maintenance expense, and most are recovered over a 5- to 15-year period. Renovation expenditures are primarily for remodeling and upgrades of malls, of which approximately 30% is recovered from tenants over a 5- to 15-year period.

We expect to renovate seven malls during 2006 at a total estimated cost of \$53.6 million, which will be funded from operating cash flows and availability under our credit facilities.

Off-Balance Sheet Arrangements

Unconsolidated Affiliates

We have ownership interests in eleven unconsolidated affiliates that are described in Note 5 to the consolidated financial statements. The unconsolidated affiliates are accounted for using the equity method of accounting and are reflected in the consolidated balance sheets as "Investments in Unconsolidated Affiliates." The following are circumstances when we may consider entering into a joint venture with a third party:

- [X] Third parties may approach us with opportunities where 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

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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.

[X] We determine that we may have the opportunity to capitalize on the value we have created in a property by selling an interest in the property to a third party. This provides us with an additional source of capital that can be used to develop or acquire additional real estate assets that we believe will provide greater potential for growth. When we retain an interest in an asset rather than selling a 100% interest, it is typically because this allows us to continue to manage the property, which provides us the ability to earn fees for management, leasing, development, financing and acquisition services provided to the joint venture.

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Guarantees

We may issue guarantees on 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 in 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.

As of December 31, 2005, we have guaranteed 50% of the debt of Parkway Place L.P. The total amount outstanding at December 31, 2005, was \$53.2 million, of which we have guaranteed \$26.6 million. The guaranty will expire when the related debt matures in June 2008.

The Company's guarantees and the related accounting are more fully described in Note 17 to the consolidated financial statements.

Critical Accounting Policies

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements. The following discussion describes our most critical accounting policies, which are those that are both important to the presentation of our financial condition and results of operations and that require significant judgment or use of complex estimates.

Revenue Recognition

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

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

We receive management, leasing and development fees from third parties and unconsolidated affiliates. Management fees are charged as a percentage of

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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.

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Real Estate Assets

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

All acquired real estate assets are accounted for using the purchase method of accounting and accordingly, the results of operations are included in the consolidated statements of operations from the respective dates of acquisition. The purchase price is allocated to (i) tangible assets, consisting of land, buildings and improvements, as if vacant, and tenant improvements and (ii) identifiable intangible assets and liabilities generally consisting of above- and below-market leases and in-place leases. We use estimates of fair value based on estimated cash flows, using appropriate discount rates, and other valuation methods to allocate the purchase price to the acquired tangible and intangible assets. Liabilities assumed generally consist of mortgage debt on the real estate assets acquired. Assumed debt with a stated interest rate that is significantly different from market interest rates is recorded at its fair value based on estimated market interest rates at the date of acquisition.

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

Carrying Value of Long-Lived Assets

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We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts or if there are other indicators of impairment. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations. We recorded losses on the impairment of real estate assets of \$1.3 million and \$3.1 million in 2005 and 2004, respectively, which are discussed in Note 2 to the consolidated financial statements. There were no impairment charges in 2003.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB No. 29, Accounting for Nonmonetary Transactions." SFAS No. 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. SFAS No. 153 became effective for nonmonetary asset exchanges occurring in fiscal periods that began after June 15, 2005.

In December 2004, the FASB released its final revised standard, SFAS No. 123 (Revised 2004), "Share-Based Payment." SFAS No. 123(R) requires that a public entity measure the cost of equity based service awards based on the

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grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award or the vesting period. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. In April 2005, the Securities and Exchange Commission issued a Staff Accounting Bulletin to modify the effective date so that SFAS No. 123(R) can be adopted beginning with the first interim reporting period of the next fiscal year beginning after June 15, 2005, instead of the first interim period beginning after June 15, 2005. We previously adopted the fair value provisions of SFAS No. 123, "Accounting for Stock Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement No. 123" effective January 1, 2003. We will adopt SFAS No. 123(R) on January 1, 2006, using a modified prospective application. We estimate that this will result in the recognition of additional compensation expense of approximately \$0.3 million and \$0.1 million during the years ending December 31, 2006 and 2007, which represents the unamortized deferred compensation expense associated with all remaining stock options that were not vested as of December 31, 2005.

In May 2005, the FASB issued Statement No. 154 entitled, "Accounting Changes and Error Corrections," which will be effective in the first quarter of fiscal year 2006. This statement addresses the retrospective application of such changes and corrections and we will follow the provision of this standard in the event of any future accounting changes.

In June 2005, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 04-05, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." EITF Issue No. 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-05 is effective after June 29, 2005, for all newly formed limited partnerships and for any

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pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships are required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. We do not expect that the adoption of EITF Issue No. 04-05 will have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position ("FSP") 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-05." The EITF acknowledged that the consensus in EITF Issue No. 04-05 conflicts with certain aspects of Statement of Position ("SOP") 78-9, "Accounting for Investments in Real Estate Ventures." The EITF agreed that the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-05. The effective dates for this FSP are the same as those for EITF Issue No. 04-05 described above. We do not expect that the adoption of FSP 78-9-1 will have a material impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations," which clarifies the accounting for conditional asset retirement obligations as used in SFAS No. 143, "Accounting for Asset Retirement Obligations." A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Therefore, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation under SFAS No. 143 if the fair value of the liability can be reasonably estimated. FIN 47 permits, but does not require, restatement of interim financial information. The provisions of FIN 47 are effective for reporting periods ending after December 15, 2005. In accordance with the transition provisions of FIN 47, we recorded an asset of \$1.9 million and a liability of \$2.4 million related to conditional asset retirement obligations as of December 31, 2005. The difference between the amounts of the asset and liability of \$0.5 million was recognized as maintenance and repairs expense in our consolidated statement of operations for the year ended December 31, 2005.

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Impact of Inflation

In the last three years, inflation has not had a significant impact on our operations because of the relatively low inflation rate. Substantially all tenant leases do, however, contain provisions designed to protect us from the impact of inflation. These provisions include clauses enabling us to receive percentage rent based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than 10 years which may provide us the opportunity to replace existing leases with new leases at higher base and/or percentage rent if rents of the existing leases are below the then existing market rate. Most of the leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, 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

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performance of real estate companies that supplements net income determined in accordance with generally accepted accounting principles ("GAAP"). The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (computed in accordance with GAAP) excluding gains or losses on sales of operating properties, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated on the same basis. We compute FFO as defined above by NAREIT less dividends on preferred stock. Our method of calculating FFO 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.

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

FFO increased 25.6% in 2005 to \$390.0 million compared to \$310.4 million in 2004. The 2005 New Properties generated 59% of the growth in FFO, while consistently high portfolio occupancy, increases in rental rates from new and renewal leasing and increased recoveries of operating expenses at the 2005 Comparable Properties accounted for 25% of the growth in FFO. The remaining 16% of growth is primarily attributable to the gain from the sale of the Galileo America management contracts to New Plan and the acquisition fee related to Galileo America's acquisition of New Plan's portfolio.

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

	Year Ended Dec	
	2005	2004
Net income available to common shareholders	\$ 131,907	\$ 102,8
Depreciation and amortization from:		
Consolidated properties	179,474	142,0
Unconsolidated affiliates	9,210	6,1
Discontinued operations	2,037	6
Minority interest in earnings of operating partnership	112,061	85,1
Gain on sales of operating real estate assets	(42,562)	(23,6
Minority investors' share of depreciation and amortization	(1,390)	(1,2
(Gain) loss on discontinued operations	82	(8
Depreciation and amortization of non-real estate assets	(861)	(5
	\$ 389,958	\$ 310,4
FFO	\$ 389,958	\$ 310,4
	\$ 213,596	\$ 169,7
FFO applicable to our shareholders	\$ 213,596	\$ 169,7

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on our debt obligations. Our interest rate risk management policy requires that we use derivative financial instruments for hedging purposes only and that, if we do enter into a derivative financial instrument, the derivative financial instrument be entered into with only major financial institutions based on their credit ratings and other factors. We did not have any derivative financial instruments at December 31, 2005 and 2004.

Based on our proportionate share of consolidated and unconsolidated variable-rate debt at December 31, 2005, a 0.5% increase or decrease in interest rates on variable rate debt would increase or decrease annual cash flows by approximately \$5.4 million and, after the effect of capitalized interest, annual earnings by approximately \$4.8 million.

Based on our proportionate share of total consolidated and unconsolidated debt at December 31, 2005, a 0.5% increase in interest rates would decrease the fair value of debt by approximately \$76.4 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately \$78.9 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Reference is made to the Index to Financial statements contained in Item 15 on page 60.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. 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 annual 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(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. No change in our internal control over financial reporting occurred during the fourth fiscal quarter of the period covered by this annual report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Report Of Management On Internal Control Over Financial Reporting

Management of CBL & Associates Properties, Inc. and its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2005, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2005 is effective.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, which expresses an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

Report Of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
CBL & Associates Properties, Inc.:

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We have audited management's assessment, included in the accompanying Report of Management on Internal Control over Financial Reporting, that CBL & Associates Properties, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether

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effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2005 of the Company and our report dated March 10, 2006, except for the effects of the second paragraph of Note 22 as to which the date is December 26, 2006, expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

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ITEM 9B. OTHER INFORMATION

At a meeting held on October 26, 2005, the Compensation Committee of the Company's board of directors approved the following actions affecting the compensation of our executive officers:

2005 Base Salaries for Named Executive Officers

The Compensation Committee approved 2006 Base Salary levels for the Company's officers and members of senior management, including setting the following 2006 Base Salary levels for those individuals who qualify as "named executive officers" (pursuant to Item 402(a)(3) of Securities and Exchange Commission Regulation S-K):

Name:	Title:	2006 Base Sal
-----	-----	-----
Charles B. Lebovitz	Chairman of the Board and Chief Executive Officer	\$558,802
John N. Foy	Vice Chairman of the Board, Chief Financial Officer and Treasurer	\$486,320
Stephen D. Lebovitz	Director, President and Secretary	\$475,000
Eric P. Snyder	Senior Vice President and Director of Corporate Leasing	\$446,000
Augustus N. Stephas	Senior Vice President - Accounting and Controller	\$456,600

In the case of Charles B. Lebovitz, John N. Foy and Stephen D. Lebovitz, these base salaries were approved to take effect as of January 1, 2006. In the case of Mr. Stephas, the effective date is February 28, 2006, and in the case of Mr. Snyder, the effective date is September 15, 2006.

Each of Charles B. Lebovitz, John N. Foy and Stephen D. Lebovitz are parties to deferred compensation agreements issued under the Amended and Restated Stock Incentive Plan, as amended (the "Stock Incentive Plan"), pursuant to which the amounts representing annual increases over their base salaries since 1995 are paid in quarterly installments in the form of the Company's Common Stock rather than cash.

Revisions to 2005 Executive Bonus Opportunities

The Compensation Committee also approved certain adjustments to the criteria or matters pursuant to which designated Company executives are eligible to earn bonuses during the 2005 fiscal year based upon the successful continuation and/or completion of development, financing, leasing and re-leasing, temporary leasing, sponsorships, management, accounting, marketing, remodelings, expansions, peripheral property sales, acquisitions and joint ventures with respect to the Company and its properties identified by the Compensation Committee as being within each such executive's areas of responsibility. These adjustments affected the maximum potential bonuses that could be earned by two of the three executives covered by these bonus criteria who are named executive officers of the Company as follows: the maximum

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potential bonus payments that could be earned by John N. Foy and Stephen D. Lebovitz for specified projects completed during 2005 was increased from \$575,000 to \$675,000 for each of such named executive officers. The actual amount of any bonus payouts will be dependent on the successful continuation or completion of the projects or matters upon which each such officer's bonus is based, as well as the officer's continued employment with the Company at such time.

In addition to the adjustments to the potential bonus levels approved as described above for certain officers, the Compensation Committee also approved an increase from \$1,000,000 to \$1,075,000 in the amount of a separate allocation of funds to be available as bonus compensation for payment to three designated

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senior executives, in conjunction with the Compensation Committee's decision concerning the actual bonuses to be paid to such officers based upon the Committee's evaluation of their performance during 2005. Two of the officers who participated in such bonus pool for fiscal 2005 are named executive officers, and the Compensation Committee approved the following 2005 bonus amounts for such officers: Charles B. Lebovitz - \$675,000 and Augustus N. Stephas - \$225,000.

In the case of both of the bonus mechanisms described above for 2005, each officer who receives a bonus has the option of electing whether to have his or her bonus paid in cash or in shares of the Company's Common Stock pursuant to the terms of the Stock Incentive Plan. The number of shares issued with respect to any bonus that an officer elects to receive in the Company's Common Stock will be determined based on the market value of the Common Stock on the date when such bonus becomes payable.

Approval of 2006 Executive Bonus Opportunities

The Compensation Committee also approved the criteria or matters pursuant to which designated Company executives will be eligible to earn bonuses for the 2006 fiscal year. The amount of the bonus paid to each executive will be based upon the successful continuation and/or completion of development, financing, leasing and re-leasing, temporary leasing, sponsorships, management, accounting, marketing, remodelings, expansions, peripheral property sales, acquisitions and joint ventures with respect to the Company and its properties identified by the Compensation Committee as being within each such executive's areas of responsibility. Three of the executives covered by these bonus criteria are named executive officers of the Company. The potential bonuses that the Compensation Committee provided that such named executive officers could earn pursuant to the above-stated criteria or matters are as follows: John N. Foy - \$725,000; Stephen D. Lebovitz - \$725,000; and Eric P. Snyder - \$325,000. The actual amount of any bonus payouts will be dependent on the successful continuation or completion of the projects or matters upon which each such officer's bonus is based, as well as the officer's continued employment with the Company at such time.

In addition to the potential bonus levels approved as described above for certain officers, the Compensation Committee also approved a separate allocation of up to an aggregate of \$1,325,000 to be available as bonus compensation for payment to three designated senior executives, consisting of specified maximum bonuses that could be earned by each of the three executives totaling \$1,175,000 plus the opportunity to share in an unallocated discretionary bonus pool of up to \$150,000. The actual bonus payments to such officers, including the amount (if any) to be paid out of the \$150,000 unallocated pool, will be determined during the fourth quarter of 2006 by the Compensation Committee, based upon its

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evaluation of such officers' performance during the year. Two of the officers for whom any fiscal 2006 bonuses will be determined pursuant to this method are named executive officers, and the potential bonus payouts set by the Compensation Committee for each of these officers is as follows: Charles B. Lebovitz - \$725,000 plus any additional participation in the unallocated \$150,000 pool, and Augustus N. Stephas - \$250,000 plus any additional participation in the unallocated \$150,000 pool.

As with the 2005 bonuses, in the case of both of the bonus mechanisms described above for 2006, each officer who receives a bonus will have the option of electing whether to have his or her bonus paid in cash or in shares of the Company's Common Stock pursuant to the terms of the Stock Incentive Plan. The number of shares issued with respect to any bonus that an officer elects to receive in the Company's Common Stock will be determined based on the market value of the Common Stock on the date when such bonus becomes payable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by reference to the sections entitled "Election of Directors," "Directors and Executive Officers," "Certain Terms of the Jacobs Acquisition," "Corporate Governance Matters," "Board of Directors' Meetings and Committees - Audit Committee," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our most recent definitive proxy statement filed with the Securities and Exchange Commission (the "Commission") with respect to our Annual Meeting of Stockholders to be held on May 8, 2006.

Our board of directors has determined that Winston W. Walker, an independent director and chairman of the audit committee, qualifies as an "audit committee financial expert" as such term is defined by the rules of the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION.

Incorporated herein by reference to the sections entitled "Compensation of Directors," "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 8, 2006.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Incorporated herein by reference to the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information as of December 31, 2005", in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 8, 2006.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by reference to the section entitled "Certain Relationships and Related Transactions" in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 8, 2006.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference to the section entitled "Independent

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Registered Public Accountants' Fees and Services" under "RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS" in our most recent definitive proxy statement filed with the Commission with respect to our Annual Meeting of Stockholders to be held on May 8, 2006.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1)	Financial Statements	Page Number
	Report Of Independent Registered Public Accounting Firm	65
	CBL & Associates Properties, Inc. Consolidated Balance Sheets as of December 31, 2005 and 2004	66
	CBL & Associates Properties, Inc. Consolidated Statements of Operations for the Years Ended December 31, 2005, 2004 and 2003	67
	CBL & Associates Properties, Inc. Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2005, 2004 and 2003	68
	CBL & Associates Properties, Inc. Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003	69
	Notes to Consolidated Financial Statements	70
(2)	Financial Statement Schedules	
	Schedule II Valuation and Qualifying Accounts	102
	Schedule III Real Estate and Accumulated Depreciation	103
	Schedule IV Mortgage Loans on Real Estate	114
	Financial statement schedules not listed herein are either not required or are not present in amounts sufficient to require submission of the schedule or the information required to be included therein is included in our consolidated financial statements in Item 15 or are reported elsewhere.	
(3)	Exhibits	
	The Exhibit Index attached to this report is incorporated by reference into this Item 15(a)(3).	

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

By: ___/s/ John N. Foy_____

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John N. Foy
Vice Chairman of the Board, Chief Financial
Officer and Treasurer (Principal Financial
Officer and Principal Accounting Officer)

Dated: December 27, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
CBL & Associates Properties, Inc.:

We have audited the accompanying consolidated balance sheets of CBL & Associates Properties, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial

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statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CBL and Associates Properties, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

March 10, 2006, except for the effect of the second paragraph of Note 22 as to which the date is December 26, 2006

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

	December 31,	
	2005	2004
ASSETS		
Real estate assets:		
Land	\$ 776,989	\$ 6,475,658
Buildings and improvements	5,698,669	4,658,907
	6,475,658	5,314,565
Accumulated depreciation	(727,907)	(5,314,565)
	5,747,751	4,700,000
Real estate assets held for sale	63,168	
Developments in progress	133,509	
	5,944,428	4,800,000
Net investment in real estate assets	5,944,428	4,800,000
Cash and cash equivalents	28,838	

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Receivables:

Tenant, net of allowance for doubtful accounts of \$3,439 in 2005 and \$3,237 in 2004	55,056	
Other	6,235	
Mortgage notes receivable	18,117	
Investments in unconsolidated affiliates	84,138	
Other assets	215,510	1

\$ 6,352,322 \$ 5,2
=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Mortgage and other notes payable	\$ 4,341,055	\$ 3,3
Mortgage notes payable on real estate assets held for sale	-	
Accounts payable and accrued liabilities	320,270	2

4,661,325 3,5

Total liabilities

Commitments and contingencies (Notes 3, 5 and 17)

Minority interests	609,475	5
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Shareholders' equity:

Preferred stock, \$.01 par value, 15,000,000 shares authorized:		
8.75% Series B cumulative redeemable preferred stock, 2,000,000 shares outstanding in 2005 and 2004	20	
7.75% Series C cumulative redeemable preferred stock, 460,000 shares outstanding in 2005 and 2004	5	
7.375% Series D cumulative redeemable preferred stock, 700,000 shares outstanding in 2005 and 2004	7	
Common stock, \$.01 par value, 180,000,000 shares authorized, 62,512,816 and 62,667,104 shares issued and outstanding in 2005 and 2004, respectively	625	
Additional paid-in capital	1,037,764	1,0
Deferred compensation	(8,895)	
Other comprehensive income	288	
Retained earnings	51,708	

1,081,522 1,0

Total shareholders' equity

\$ 6,352,322 \$ 5,2
=====

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

Year Ended December

2005 2004

REVENUES:

Minimum rents	\$ 548,423	\$ 476,305
Percentage rents	23,157	15,951
Other rents	17,674	16,102
Tenant reimbursements	278,199	245,989
Management, development and leasing fees	20,521	9,791
Other	19,485	17,005

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Total revenues	907,459	781,143
EXPENSES:		
Property operating	151,108	139,327
Depreciation and amortization	179,474	142,004
Real estate taxes	67,982	58,032
Maintenance and repairs	50,454	43,514
General and administrative	39,197	35,338
Loss on impairment of real estate assets	1,334	3,080
Other	15,444	16,373
Total expenses	504,993	437,668
Income from operations	402,466	343,475
Interest income	6,831	3,355
Interest expense	(208,183)	(177,219)
Loss on extinguishment of debt	(6,171)	-
Gain on sales of real estate assets	53,583	29,272
Gain on sales of management contracts	21,619	-
Equity in earnings of unconsolidated affiliates	8,495	10,308
Minority interest in earnings:		
Operating Partnership	(112,061)	(85,186)
Shopping center properties	(4,879)	(5,365)
Income before discontinued operations	161,700	118,640
Operating income of discontinued operations	857	1,626
Gain (loss) on discontinued operations	(82)	845
Net income	162,475	121,111
Preferred dividends	(30,568)	(18,309)
Net income available to common shareholders	\$ 131,907	\$ 102,802
Basic per share data:		
Income before discontinued operations, net of preferred dividends	\$ 2.09	\$ 1.63
Discontinued operations	0.01	0.04
Net income available to common shareholders	\$ 2.10	\$ 1.67
Weighted average common shares outstanding		
	62,721	61,602
Diluted per share data:		
Income before discontinued operations, net of preferred dividends	\$ 2.02	\$ 1.57
Discontinued operations	0.01	0.04
Net income available to common shareholders	\$ 2.03	\$ 1.61
Weighted average common and potential dilutive common shares outstanding		
	64,880	64,004

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CBL & Associates Properties, Inc.
Consolidated Statement Of Shareholders' Equity
(In thousands, except share data)

Additional Accumulated
Other

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	Preferred Stock	Common Stock	Paid-in Capital	Comprehensive Loss
	-----	-----	-----	-----
Balance, December 31, 2002	\$ 47	\$ 596	\$ 765,388	\$ -
Net income	-	-	-	-
Gain on current period cash flow hedges	-	-	-	-
Total comprehensive income				
Dividends declared - common stock	-	-	-	-
Dividends declared - preferred stock	-	-	-	-
Issuance of 460,000 shares of Series C preferred stock	5	-	111,222	-
Redemption of 2,675,000 shares of Series A preferred stock	(27)	-	(64,668)	-
Issuance of 405,676 shares of common stock	-	4	8,753	(1,855)
Exercise of stock options	-	6	7,756	-
Accrual under deferred compensation arrangements	-	-	618	-
				248
Amortization of deferred compensation	-	-	-	-
Adjustment for minority interest in Operating Partnership	-	-	(11,759)	-
	-----	-----	-----	-----
Balance, December 31, 2003	25	606	817,310	(1,607)
Net income and total comprehensive income	-	-	-	-
Dividends declared - common stock	-	-	-	-
Dividends declared - preferred stock	-	-	-	-
Issuance of 700,000 shares of Series D preferred stock	7	-	169,326	-
Issuance of 169,962 shares of common stock	-	2	4,526	(2,129)
Exercise of stock options	-	14	15,254	-
Accrual under deferred compensation arrangements	-	-	776	-
Amortization of deferred compensation	-	-	-	655
Conversion of Operating Partnership units into 525,636 shares of common stock	-	5	5,625	-
Adjustment for minority interest in Operating Partnership	-	-	12,661	-
	-----	-----	-----	-----
Balance, December 31, 2004	32	627	1,025,478	(3,081)
Net income	-	-	-	-
Unrealized gain on available for sale securities	-	-	-	-
Total comprehensive income	-	-	-	-
Dividends declared - common stock	-	-	-	-
Dividends declared - preferred stock	-	-	-	-
Additional costs of issuing 700,000 shares of Series D preferred stock	-	-	(193)	-
Issuance of 230,041 shares of common stock	-	2	9,011	(7,896)
Repurchase of 1,371,034 shares of common stock	-	(14)	(54,984)	-
Exercise of stock options	-	8	9,733	-
Accelerated vesting of stock-based compensation	-	-	480	256
Accrual under deferred compensation arrangements	-	-	780	-
Issuance of stock under deferred compensation arrangement	-	2	(2)	-
Amortization of deferred compensation	-	-	-	1,826
Conversion of Operating Partnership units into 52,136 shares of common stock	-	-	10,304	-
Adjustment for minority interest in Operating Partnership	-	-	37,157	-
	-----	-----	-----	-----
Balance, December 31, 2005	\$ 32	\$ 625	\$1,037,764	\$ (8,895)
	=====	=====	=====	=====

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

	Year Ended December	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$162,475	\$121,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest in earnings	116,940	90,551
Depreciation	133,834	100,667
Amortization	55,381	49,162
Net amortization of above and below market leases	(6,434)	(3,515)
Amortization of debt premiums	(7,347)	(5,262)
Gain on sales of real estate assets	(53,583)	(29,583)
(Gain) loss on discontinued operations	82	(845)
Gain on sales of management contracts	(21,619)	-
Stock-based compensation expense	2,125	2,646
Amortization of deferred compensation	1,826	655
Equity in earnings of unconsolidated affiliates in excess of distributions received	(1,148)	-
Write-off of development projects	560	3,714
Extinguishment of debt	(353)	-
Loss on impairment of real estate assets	1,334	3,080
Changes in assets and liabilities:		
Tenant and other receivables	(9,879)	(1,678)
Other assets	(1,116)	(3,413)
Accounts payable and accrued liabilities	16,496	11,907
Net cash provided by operating activities	389,574	339,197
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate assets	(361,285)	(219,383)
Acquisitions of real estate assets and other assets	(426,537)	(587,163)
Proceeds from sales of real estate assets	64,350	113,565
Proceeds from sale of management contracts	22,000	-
Costs related to sale of management contracts	(381)	-
Cash in escrow	-	78,476
Additions to mortgage notes receivable	(859)	(9,225)
Payments received on mortgage notes receivable	13,173	17,590
Distributions in excess of equity in earnings of unconsolidated affiliates	15,523	28,908
Additional investments in and advances to unconsolidated affiliates	(27,840)	(27,112)
Changes in other assets	(10,652)	(4,307)
Net cash used in investing activities	(712,508)	(608,651)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage and other notes payable	946,825	642,743
Principal payments on mortgage and other notes payable	(353,806)	(355,651)

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Additions to deferred financing costs	(3,407)	(6,029)
Repurchase of common stock	(48,292)	-
Proceeds from issuance of common stock	508	529
Proceeds from exercise of stock options	9,741	15,268
Proceeds from issuance of preferred stock	-	169,333
Redemption of preferred stock	-	-
Additional costs of preferred stock offerings	(193)	-
Purchase of minority interest in the Operating Partnership	(2,172)	(5,949)
Distributions to minority interests	(89,459)	(78,493)
Dividends paid to holders of preferred stock	(31,214)	(17,633)
Dividends paid to common shareholders	(102,525)	(89,230)
	-----	-----
Net cash provided by financing activities	326,006	274,888
	-----	-----
Net change in cash and cash equivalents	3,072	5,434
Cash and cash equivalents, beginning of period	25,766	20,332
	-----	-----
Cash and cash equivalents, end of period	\$ 28,838	\$ 25,766
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands, except share data)

NOTE 1. ORGANIZATION

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 and community shopping centers. CBL's shopping center properties are located in 27 states, but are primarily in the southeastern and midwestern United States.

CBL conducts substantially all of its business through CBL & Associates Limited Partnership (the "Operating Partnership"). As of December 31, 2005, the Operating Partnership owned controlling interests in 72 regional malls, 27 associated centers (each located adjacent to a regional mall), seven community centers and CBL's corporate office building. The Operating Partnership consolidates the financial statements of all entities in which it has a controlling financial interest or where it is the primary beneficiary of a variable interest entity. The Operating Partnership owned non-controlling interests in seven regional malls and three associated centers. Because major decisions such as the acquisition, sale or refinancing of principal partnership or joint venture assets must be approved by one or more of the other partners, 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 two mall expansions, two open-air shopping centers, one open-air shopping center expansion, two associated centers, one community center, which is owned in a joint venture, and one community center expansion under construction at December 31, 2005. 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 December 31, 2005, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partnership interest in the Operating Partnership and CBL Holdings II, Inc. owned a 52.6% limited partnership interest for a combined interest held by CBL

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of 54.2%.

The minority interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively "CBL's Predecessor") and by affiliates of The Richard E. Jacobs Group, Inc. ("Jacobs"). CBL's Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partnership interest when the Operating Partnership acquired the majority of Jacobs' interests in 23 properties in January 2001 and the balance of such interests in February 2002. At December 31, 2005, CBL's Predecessor owned a 15.2% limited partnership interest, Jacobs owned a 20.6% limited partnership interest and third parties owned a 10.0% limited partnership interest in the Operating Partnership. CBL's Predecessor also owned 5.6 million shares of CBL's common stock at December 31, 2005, for a combined total interest of 20.1% in the Operating Partnership.

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

CBL, the Operating Partnership and the Management Company are collectively referred to herein as "the Company." All significant intercompany balances and transactions have been eliminated in the consolidated presentation.

At the Company's annual meeting of shareholders on May 9, 2005, the Company's shareholders approved an increase in the authorized shares of the common stock under the Company's amended and restated certificate of

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incorporation to 180,000,000 shares from 95,000,000 shares. On May 10, 2005, the Company's board of directors approved a two-for-one stock split of the Company's common stock, which was effected in the form of a stock dividend. The record date for the stock split was June 1, 2005, and the distribution date was June 15, 2005. The Company retained the current par value of \$0.01 per share for all shares of common stock. All references to numbers of common shares and per share data in the accompanying consolidated financial statements and notes thereto have been adjusted to reflect the stock split on a retroactive basis. Shareholders' equity reflects the stock split through a reclassification of \$313 from Additional Paid-In Capital to Common Stock, which represents the par value of the additional shares resulting from the stock split.

The Operating Partnership has common units and special common units of limited partner interest outstanding that may be exchanged by their holders, under certain circumstances, for shares of common stock on a one-for-one basis. These common units and special common units were also split on a two-for-one basis so that they continue to be exchangeable on a one-for-one basis into shares of the Company's common stock.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Real Estate Assets

The Company capitalizes 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

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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 have been accounted for using the purchase method of accounting and accordingly, the results of operations are included in the consolidated statements of operations from the respective dates of acquisition. The Company allocates the purchase price 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-market leases, in-place leases and tenant relationships, which are included in other assets, and below-market leases, which are included in accounts payable and accrued liabilities. The Company uses estimates of fair value based on estimated cash flows, using appropriate discount rates, and other valuation techniques 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 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.

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The Company's acquired intangibles and their balance sheet classifications as of December 31, 2005 and 2004, are summarized as follows:

	December 31, 2005		December
	Cost	Accumulated Amortization	Cost
Other assets:			
Above-market leases	\$42,026	\$(4,921)	\$12,250
In-place leases	72,584	(14,992)	53,850
Tenant relationships	49,796	(53)	--
Accounts payable and accrued liabilities:			
Below-market leases	91,148	(14,816)	38,967

The total net amortization expense of the above acquired intangibles for the next five succeeding years will be \$3,420 in 2006, \$3,236 in 2007, \$3,334 in 2008, \$2,148 in 2009 and \$1,021 in 2010.

Total interest expense capitalized was \$8,385, \$4,517 and \$5,974 in 2005,

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2004 and 2003, respectively.

Carrying Value of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when its estimated future undiscounted cash flows are less than its carrying value. If it is determined that an impairment has occurred, the excess of the asset's carrying value over its estimated fair value is charged to operations.

The Company determined that two community centers met the criteria to be reflected as held for sale as of December 31, 2005 and recognized a loss on impairment of \$1,029.

During 2004, the Company recognized a loss of \$114 on the sale of one community center as a loss on impairment of real estate assets.

During 2004, the Company determined that the carrying value of a vacant community center exceeded the community center's estimated fair value by \$402. The Company recorded the reduction in the carrying value of the related real estate assets to their estimated fair value as a loss on impairment of real estate assets. The Company sold this community center in October 2005 and recognized an additional impairment of \$43.

In January 2005, the Company made the decision to sell five community centers and, as a result, recognized an aggregate loss on impairment of real estate assets of \$617 on these community centers in 2004 to reduce the carrying values of these centers to their estimated fair values based on their selling prices.

In January 2005, the Company completed the third phase of the Galileo America joint venture transaction discussed in Note 5. The Company recognized a loss of \$1,947 on this transaction as an impairment of real estate assets in 2004 and reduced the carrying value of the related assets, which were classified as real estate assets held for sale as of December 31, 2004. The Company recognized an additional impairment loss of \$262 in the first quarter of 2005 related to these centers when certain estimated amounts were adjusted when the actual amounts became known.

There were no impairment charges in 2003.

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Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less as cash equivalents.

Restricted Cash

Restricted cash of \$34,448 and \$29,337 was included in other assets at December 31, 2005 and 2004, respectively. Restricted cash consists primarily of cash held in escrow accounts for debt service, insurance, real estate taxes, capital improvements and deferred maintenance as required by the terms of certain mortgage notes payable, as well as contributions from tenants to be used for future marketing activities.

Joint Ventures

Initial investments in joint ventures that are in economic substance a capital contribution to the joint venture are recorded in an amount equal to the Company's historical carryover basis in the real estate contributed. Initial investments in joint ventures that are in economic substance the sale of a portion of the Company's interest in the real estate are accounted for as a contribution of real estate recorded in an amount equal to the Company's 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 the Company has no commitment to reinvest with respect to the percentage of the real estate sold and the accounting requirements of the full accrual method under SFAS No. 66 are met.

The Company accounts for its investment in joint ventures where it owns a non-controlling interest using the equity method of accounting. Under the equity method, the Company's cost of investment is adjusted for its 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 the Company's investment in an unconsolidated affiliate and its underlying equity as reflected in the unconsolidated affiliate's financial statements generally result from costs of the Company's investment that are not reflected on the unconsolidated affiliate's financial statements, capitalized interest on its investment and the Company's share of development and leasing fees that are paid by the unconsolidated affiliate to the Company for development and leasing services provided to the unconsolidated affiliate during any development periods. At December 31, 2005 and 2004, the difference between the Company's investment in unconsolidated affiliates and the underlying equity of unconsolidated affiliates was \$4,323 and \$18,730, respectively, which is generally amortized over a period of 40 years.

Deferred Financing Costs

Net deferred financing costs of \$10,849 and \$13,509 were included in other assets at December 31, 2005 and 2004, respectively. Deferred financing costs include fees and costs incurred to obtain financing and are amortized to interest expense over the terms of the related notes payable. Amortization expense was \$5,031, \$4,390, and \$3,268 in 2005, 2004 and 2003, respectively. Accumulated amortization was \$11,532 and \$7,815 as of December 31, 2005 and 2004, respectively.

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.

The Company receives reimbursements from tenants for real estate taxes, insurance, common area maintenance, and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized as revenue in the period the related operating expenses are incurred. Tenant

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reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 15 years and are recognized as revenue when billed.

The Company receives 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 only to the extent of the third-party partners' ownership interest. Development and leasing fees during the development period to the extent of the Company's ownership interest are recorded as a reduction to the Company's investment in the unconsolidated affiliate.

Gain on Sales of Real Estate Assets

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, the Company's 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 the Company has 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 the Company's ownership interest is deferred.

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 income taxes were not material in 2005, 2004 and 2003.

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 that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in income. The Company had a net deferred tax asset of \$1,541 and \$16,636 at December 31, 2005 and 2004, respectively, which consisted primarily of net operating loss

carryforwards, that were reduced to zero by a valuation allowance because of uncertainty about the realization of the net deferred tax asset considering all available evidence.

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Derivative Financial Instruments

The Company records derivative financial instruments as either an asset or liability measured at the instrument's fair value. Any fair value adjustments affect either shareholders' equity or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. See Note 15 for more information.

Concentration of Credit Risk

The Company's tenants include national, regional and local retailers. Financial instruments that subject the Company to concentrations of credit risk consist primarily of tenant receivables. The Company generally does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of tenants.

The Company derives a substantial portion of its rental income from various national and regional retail companies; however, no single tenant collectively accounted for more than 10.0% of the Company's total revenues in 2005, 2004 and 2003.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of unrestricted common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potential dilutive common shares outstanding. The limited partners' rights to convert their minority interest in the Operating Partnership into shares of common stock are not dilutive (Note 9). The following summarizes the impact of potential dilutive common shares on the denominator used to compute earnings per share:

	Year Ended December 31,	
	2005	2004
Weighted average shares	63,004	61,878
Effect of nonvested stock awards	(283)	(276)
Denominator - basic earnings per share	62,721	61,602
Dilutive effect of:		
Stock options	1,741	1,970
Nonvested stock awards	223	232
Deemed shares related to deferred compensation arrangements	195	200
Denominator - diluted earnings per share	64,880	64,004

Stock-Based Compensation

Historically, the Company accounted for its stock-based compensation plans, which are described in Note 19, under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations. Effective January 1, 2003, the Company elected to begin recording the expense associated with stock options granted after January 1, 2003, on a prospective basis in accordance with

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the fair value and transition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement No. 123." There were no stock options granted during 2005, 2004 and 2003.

No stock-based compensation expense related to stock options granted prior to January 1, 2003, has been reflected in net income since all options granted had an exercise price equal to the fair value of the Company's common stock on the date of grant. Therefore, stock-based compensation expense included in net

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income available to common shareholders in 2005, 2004 and 2003 is less than that which would have been recognized if the fair value method had been applied to all stock-based awards since the effective date of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to all outstanding and unvested awards in each period:

	Year Ended December 31,	
	2005	2004
Net income available to common shareholders, as reported	\$131,907	\$ 102,802
Add: Stock-based compensation expense included in reported net income available to common shareholders	4,775	2,890
Less: Total stock-based compensation expense determined under fair value method	(5,186)	(3,398)
Pro forma net income available to common shareholders	\$131,496	\$ 102,294
Earnings per share:		
Basic, as reported	\$ 2.10	\$ 1.67
Basic, pro forma	\$ 2.10	\$ 1.66
Diluted, as reported	\$ 2.03	\$ 1.61
Diluted, pro forma	\$ 2.03	\$ 1.60

Comprehensive Income

Comprehensive income includes all changes in shareholders' equity during the period, except those resulting from investments by shareholders and distributions to shareholders.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and

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expenses during the reported period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB No. 29, Accounting for Nonmonetary Transactions." SFAS No. 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. SFAS No. 153 became effective for nonmonetary asset exchanges occurring in fiscal periods that began after June 15, 2005. See Note 5.

In December 2004, the FASB released its final revised standard, SFAS No. 123 (Revised 2004), "Share-Based Payment." SFAS No. 123(R) requires that a public entity measure the cost of equity-based service awards based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award or the vesting period. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. In April 2005, the Securities and Exchange Commission issued a Staff Accounting Bulletin to modify the effective date so that SFAS No. 123(R) can be adopted beginning with the first interim reporting period of the next fiscal year beginning after June 15, 2005, instead of the first interim period beginning after June 15, 2005. The Company previously adopted the fair value provisions of SFAS No. 123 as amended by SFAS No. 148 effective January 1, 2003. The Company will adopt SFAS No. 123(R) on January 1, 2006, using a modified prospective application. The Company estimates that this will result in the recognition of additional

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compensation expense of approximately \$310 and \$91 during the years ending December 31, 2006 and 2007, respectively, which represents the unamortized deferred compensation expense associated with all remaining stock options that were not vested as of December 31, 2005.

In May 2005, the FASB issued SFAS No. 154 entitled, "Accounting Changes and Error Corrections," which will be effective in the first quarter of fiscal year 2006. This statement addresses the retrospective application of such changes and corrections and the Company will follow the provision of this standard in the event of any future accounting changes.

In June 2005, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 04-05, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." EITF Issue No. 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-05 is effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships are required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The Company does not expect that the adoption of EITF Issue No. 04-05 will have a material impact on its financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position ("FSP") 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-05." The EITF acknowledged that the consensus in EITF Issue No. 04-05 conflicts with

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certain aspects of Statement of Position ("SOP") 78-9, "Accounting for Investments in Real Estate Ventures." The EITF agreed that the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-05. The effective dates for this FSP are the same as those for EITF Issue No. 04-05 described above. The Company does not expect that the adoption of FSP 78-9-1 will have a material impact on its financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations," which clarifies the accounting for conditional asset retirement obligations as used in SFAS No. 143, "Accounting for Asset Retirement Obligations." A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Therefore, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation under SFAS No. 143 if the fair value of the liability can be reasonably estimated. FIN 47 permits, but does not require, restatement of interim financial information. The provisions of FIN 47 are effective for reporting periods ending after December 15, 2005. In accordance with the transition provisions of FIN 47, the Company recorded an asset of \$1,906 and a liability of \$2,358 related to conditional asset retirement obligations as of December 31, 2005. The difference between the amounts of the asset and liability of \$452 was recognized as maintenance and repairs expense in the accompanying consolidated statement of operations for the year ended December 31, 2005. Had the Company applied the provisions of FIN 47 retroactively, the liability for conditional asset retirement obligations would have been \$2,254, \$2,153 and \$2,057 at December 31, 2004, 2003 and January 1, 2003, respectively.

Reclassifications

Certain prior period amounts in the consolidated statements of operations have been reclassified to present marketing fund revenues and expenses on a gross basis in accordance with Emerging Issues Task Force Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." As a result, the following amounts in the consolidated statements of operations have changed from the previously reported amounts for the years ended December 31, 2004 and 2003: tenant reimbursements have increased by \$27,281 and \$25,884, respectively,

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other revenues have decreased by \$3,093 and \$0, respectively, and property operating expenses have increased by \$24,188 and \$25,884, respectively. This reclassification did not change previously reported amounts of net income available to common shareholders.

NOTE 3. ACQUISITIONS

The Company includes the results of operations of real estate assets acquired in the consolidated statement of operations from the date of the related acquisition.

2005 Acquisitions

Effective June 1, 2005, the Company acquired a 70% joint venture interest in Laurel Park Place, a regional mall in Livonia, MI, for a purchase price of

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\$80,363. The purchase price consisted of \$2,828 in cash, the assumption of \$50,654 of non-recourse debt that bears interest at a stated rate of 8.50% and matures in December 2012 and the issuance of 571,700 Series L special common units (the "L-SCUs") in the Operating Partnership with a fair value of \$26,881. The Company recorded a debt premium of \$10,552, computed using an estimated market interest rate of 5.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition. The terms of the L-SCUs are described in Note 9.

The Company may elect to acquire the remaining 30% ownership interest in the joint venture, or a portion thereof, at any time following the acquisition date for a purchase price of \$14,000, which will be paid either through the issuance of common units of limited partner interest in the Operating Partnership or with cash, at the Company's election. If the Company exercises its right to acquire the remaining 30% joint venture interest, or a portion thereof, prior to December 2012 through the issuance of common units, the common units issued will not be entitled to receive distributions until after December 2012. If the Company does not exercise its right to acquire the remaining 30% joint venture interest by December 2012, then the joint venture partner owning that interest will thereafter receive a preferred return equal to the greater of 12% or the 10-year treasury rate plus 800 basis points on the portion of its joint venture interest that has not yet been acquired by the Company. The Company receives all of the profits and losses of this joint venture and is responsible for all of its debt. The \$14,000 value of the minority partner's interest has been recorded in Accounts Payable and Accrued Liabilities.

On July 14, 2005, the Company acquired The Mall of Acadiana, a super-regional mall in Lafayette, LA, for a cash purchase price, including transaction costs, of \$175,204. The Company also entered into 10-year lease agreements for 13.4 acres of land adjacent to The Mall of Acadiana, which provide the Company the right to purchase the land for a cash purchase price of \$3,327 during the first year of the lease term, \$3,510 during the second year and amounts increasing by 10% per year for each year of the lease term thereafter. After the first year, the seller may put the land to the Company for a price equal to the amounts set forth in the previous sentence. The Company also obtained a ten-year option to acquire another adjacent 14.9 acre tract of land for a cash purchase price of \$3,245 during the first six months of the option, which increases to \$3,407 during the second six months of the option and to \$3,570 during the remaining nine years of the option.

On November 7, 2005, the Company acquired Layton Hills Mall in Salt Lake City, UT, for a cash purchase price, including transaction costs, of \$120,926. The Company funded a portion of the purchase price with a new, short-term loan of \$102,850 that bears interest at the London Interbank Offered Rate ("LIBOR") plus 95 basis points and has a maturity of March 2006 plus a 60-day extension option. The Company intends to retire or refinance this short-term loan.

On November 16, 2005, the Company acquired Oak Park Mall in Overland, KS, Hickory Point Mall in Forsyth, IL, and Eastland Mall in Bloomington, IL, for a purchase price, including transaction costs, of \$508,180, which consisted of \$127,111 in cash, the assumption of \$335,100 of interest-only, non-recourse loans that bear interest at a stated rate of 5.85% and mature in November 2015 and the issuance of 1,144,924 Series K special common units (the "K-SCUs") of

limited partner interest in the Operating Partnership with a fair value of \$45,969. The Company funded part of the cash portion of the purchase price with a new, non-recourse loan of \$33,150 that bears interest at 5.85% and matures in November 2015. The terms of the K-SCUs are described in Note 9.

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The results of operations of the acquired properties have been included in the consolidated financial statements since their respective dates of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the respective acquisition dates during the year ended December 31, 2005:

Land	\$ 95,863
Buildings and improvements	763,523
Above-market leases	30,759
Tenant relationships	49,796
In-place leases	24,021

Total assets	963,962
Mortgage note payables assumed	(385,754)
Premiums on mortgage note payables assumed	(10,552)
Below-market leases	(54,263)
Other long-term liabilities	(14,474)

Net assets acquired	\$498,919
	=====

The following unaudited pro forma financial information is for the years ended December 31, 2005 and 2004. It presents the results of the Company as if each of the 2005 acquisitions had occurred on January 1, 2004. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2004. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
	-----	-----
Total revenues	\$971,647	\$867,000
Total expenses	(549,938)	(499,000)
	-----	-----
Income from operations	\$421,709	\$368,000
	=====	=====
Income before discontinued operations	\$153,319	\$108,000
	=====	=====
Net income available to common shareholders	\$123,526	\$ 93,000
	=====	=====
Basic per share data:		
Income before discontinued operations, net of preferred dividends	\$ 1.96	\$ 1.96
Net income available to common shareholders	\$ 1.96	\$ 1.96
Diluted per share data:		
Income before discontinued operations, net of preferred dividends	\$ 1.89	\$ 1.89
Net income available to common shareholders	\$ 1.90	\$ 1.90

2004 Acquisitions

On March 12, 2004, the Company acquired Honey Creek Mall in Terre Haute, IN, for a purchase price, including transaction costs, of \$83,114, which

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consisted of \$50,114 in cash and the assumption of \$33,000 of non-recourse debt that bears interest at a stated rate of 6.95% and matures in May 2009. The Company recorded a debt premium of \$3,146, 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.

On March 12, 2004, the Company acquired Volusia Mall in Daytona Beach, FL, for a purchase price, including transaction costs, of \$118,493, which consisted of \$63,686 in cash and the assumption of \$54,807 of non-recourse debt that bears interest at a stated rate of 6.70% and matures in March 2009. The Company

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recorded a debt premium of \$4,615, 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.

On April 8, 2004, the Company acquired Greenbrier Mall in Chesapeake, VA, for a cash purchase price, including transaction costs, of \$107,450. The purchase price was partially financed with a new recourse term loan of \$92,650 that bears interest at LIBOR plus 100 basis points, matures in April 2006 and has three one-year extension options that are at the Company's election.

On April 21, 2004, the Company acquired Fashion Square, a community center in Orange Park, FL, for a cash purchase price, including transaction costs, of \$3,961.

On May 20, 2004, the Company acquired Chapel Hill Mall and its associated center, Chapel Hill Suburban, in Akron, OH, for a cash purchase price, including transaction costs, of \$78,252. The purchase price was partially financed with a new recourse term loan of \$66,500 that bears interest at LIBOR plus 100 basis points, matures in May 2006 and has three one-year extension options that are at the Company's election.

On June 22, 2004, the Company acquired Park Plaza Mall in Little Rock, AR, for a purchase price, including transaction costs, of \$77,526, which consisted of \$36,213 in cash and the assumption of \$41,313 of non-recourse debt that bears interest at a stated rate of 8.69% and matures in May 2010. The Company recorded a debt premium of \$7,737, computed using an estimated market interest rate of 4.90%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On July 28, 2004, the Company acquired Monroeville Mall, and its associated center, the Annex, in the eastern Pittsburgh suburb of Monroeville, PA, for a total purchase price, including transaction costs, of \$231,621, which consisted of \$39,455 in cash, the assumption of \$134,004 of non-recourse debt that bears interest at a stated rate of 5.73% and matures in January 2013, an obligation of \$11,950 to pay for the fee interest in the land underlying the mall and associated center on or before July 28, 2007, and the issuance of 780,470 Series S Special Common Units (the "S-SCUs") in the Operating Partnership with a fair value of \$46,212. The Company recorded a debt premium of \$3,270, computed using an estimated market interest rate of 5.30%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On November 22, 2004, the Company acquired Mall del Norte in Laredo, TX, for a cash purchase price, including transaction costs, of \$170,413. The purchase price was partially financed with a new non-recourse, interest-only loan of \$113,400 that bears interest at 5.04% and matures in December 2014.

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On November 22, 2004, the Company acquired Northpark Mall in Joplin, MO, for a purchase price, including transaction costs, of \$79,141. The purchase price consisted of \$37,619 in cash and the assumption of \$41,522 of non-recourse debt that bears interest at a stated rate of 5.75% and matures in March 2014. The Company recorded a debt premium of \$687, computed using an estimated market interest rate of 5.50%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

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The results of operations of the acquired properties have been included in the consolidated financial statements since their respective dates of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the respective acquisition dates during the year ended December 31, 2004:

Land	\$ 81,673
Buildings and improvements	872,855
Above-market leases	8,329
In-place leases	33,921

Total assets	996,778
Mortgage note payables assumed	(304,646)
Premiums on mortgage note payables assumed	(19,455)
Below-market leases	(27,352)
Land purchase obligation	(11,950)

Net assets acquired	\$633,375
	=====

The following unaudited pro forma financial information is for the years ended December 31, 2004 and 2003. It presents the results of the Company as if each of the 2004 acquisitions had occurred on January 1, 2003. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2003. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
	-----	-----
Total revenues	\$ 836,672	\$ 809
Total expenses	(470,833)	(444)
	-----	-----
Income from operations	\$ 365,839	\$ 365
	=====	=====
Income before discontinued operations	\$ 120,881	\$ 145
	=====	=====
Net income available to common shareholders	\$ 105,043	\$ 131
	=====	=====
Basic per share data:		

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Income before discontinued operations, net of preferred dividends	\$	1.67	\$
Net income available to common shareholders	\$	1.71	\$
Diluted per share data:			
Income before discontinued operations, net of preferred dividends	\$	1.60	\$
Net income available to common shareholders	\$	1.64	\$

2003 Acquisitions

On April 30, 2003, the Company acquired Sunrise Mall and its associated center, Sunrise Commons, which are located in Brownsville, TX. The total purchase price, including transaction costs, of \$80,686 consisted of \$40,686 in cash and the assumption of \$40,000 of variable-rate debt that matured in May 2004.

On September 10, 2003, the Company acquired Cross Creek Mall in Fayetteville, NC for a purchase price, including transaction costs, of \$116,729, which consisted of \$52,484 in cash and the assumption of \$64,245 of non-recourse debt that bears interest at a stated rate of 7.4% and matures in April 2012. The Company recorded a debt premium of \$10,209, computed using an estimated market interest rate of 5.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On October 1, 2003, the Company acquired River Ridge Mall in Lynchburg, VA for a purchase price, including transaction costs, of \$61,933, which consisted of \$38,622 in cash, a short-term note payable of \$793 and the assumption of \$22,518 of non-recourse debt that bears interest at a stated rate of 8.05% and

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matures in January 2007. The Company also recorded a debt premium of \$2,724, computed using an estimated market interest rate of 4.00%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On October 1, 2003, the Company acquired Valley View Mall in Roanoke, VA for a purchase price, including transaction costs, of \$86,094, which consisted of \$35,351 in cash, a short-term note payable of \$5,708 and the assumption of \$45,035 of non-recourse debt that bears interest at a weighted-average stated rate of 8.61% and matures in September 2010. The Company also recorded a debt premium of \$8,813, computed using an estimated market interest rate of 5.10%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On December 15, 2003, the Company acquired Southpark Mall in Colonial Heights, VA for a purchase price, including transaction costs, of \$78,031, which consisted of \$34,879 in cash, a short-term note payable of \$5,116 and the assumption of \$38,036 of non-recourse debt that bears interest at a stated rate of 7.00% and matures in May 2012. The Company also recorded a debt premium of \$4,544, computed using an estimated market interest rate of 5.10%, since the debt assumed was at an above-market interest rate compared to similar debt instruments at the date of acquisition.

On December 30, 2003, the Company acquired Harford Mall Business Trust, a Maryland business trust that owns Harford Mall and its associated center, Harford Annex, in Bel Air, MD for a cash purchase price, including transaction costs, of \$71,110.

The following summarizes the allocation of the purchase prices to the assets acquired and liabilities assumed for the 2003 acquisitions:

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Land	\$ 72,620
Buildings and improvements	434,318
Above-market leases	5,709
In-place leases	19,542

Total assets	532,189
Mortgage note payables assumed	(209,834)
Short-term notes payable	(11,617)
Premiums on mortgage note payables assumed	(26,290)
Below-market leases	(11,384)

Net assets acquired	\$ 273,064
	=====

The following unaudited pro forma financial information is for the year ended December 31, 2003. It presents the results of the Company as if each of the 2003 acquisitions had occurred on January 1, 2003. However, the unaudited pro forma financial information does not represent what the consolidated results of operations or financial condition actually would have been if the acquisitions had occurred on January 1, 2003. The pro forma financial information also does not project the consolidated results of operations for any future period. The pro forma results for the year ended December 31, 2003 are as follows:

	2003

Total revenues	\$ 743,241
Total expenses	(412,949)

Income from operations	\$ 330,292
	=====
Income before discontinued operations	\$ 139,778
	=====
Net income available to common shareholders	\$ 125,568
	=====
Basic per share data:	
Income before discontinued operations, net of preferred dividends	\$ 2.02
Net income available to common shareholders	\$ 2.08
Diluted per share data:	
Income before discontinued operations, net of preferred dividends	\$ 1.94
Net income available to common shareholders	\$ 2.01

NOTE 4. DISCONTINUED OPERATIONS

During 2005, the Company sold six community centers for an aggregate sales price of \$12,600. The Company previously recognized an aggregate loss on impairment of real estate assets of \$617 on these community centers in 2004. Additionally, the Company determined that two community centers met the criteria to be reflected as held for sale as of December 31, 2005 and recognized a loss on impairment of \$1,029. See Note 22 for discussion of three community centers

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that were sold in May 2006 and that have been reflected as discontinued operations in all periods presented.

During 2004, the Company sold three community centers for a total sales price \$7,250 and recognized a total gain of \$845 on two of the community centers that is recorded as gain on discontinued operations. The Company recognized a loss of \$114 in December 2004 on one of the community centers, which is included in loss on impairment of real estate assets in the consolidated statement of operations.

During 2003, the Company sold six community centers for a total sales price \$17,280 and recognized a net gain on discontinued operations of \$4,042.

Total revenues of the centers described above that are included in discontinued operations were \$3,549, \$2,734 and \$4,524 in 2005, 2004 and 2003, respectively. All periods presented have been restated to reflect the operations of the centers described above as discontinued operations.

NOTE 5. JOINT VENTURES

Unconsolidated Affiliates

At December 31, 2005, the Company had investments in the following 11 partnerships and joint ventures, w