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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

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

OR

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

EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____________ TO _______________

COMMISSION FILE NO. 1-12494

CBL & ASSOCIATES PROPERTIES, INC.

(Exact Name of registrant as specified in its charter)

DELAWARE 62-1545718

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

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

(Address of principal executive office, including zip code)

423.855.0001

(Registrant s telephone number, including area code)

N/A

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

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

Yes x No o

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

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

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

Yes o No x

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

CBL & Associates Properties, Inc.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

CBL & Associates Properties, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

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

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

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CBL & Associates Properties, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

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

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

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

The accompanying notes are an integral part of these statements.

CBL & Associates Properties, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, except per share data)

Note 1 Organization and Basis of Presentation

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

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

CBL is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At June 30, 2007, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.6% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned a 54.8% limited partner interest for a combined interest held by CBL of 56.4%.

The minority interest in the Operating Partnership is held primarily by CBL & Associates, Inc. and its affiliates (collectively CBL s Predecessor) and by affiliates of The Richard E. Jacobs Group, Inc. (Jacobs). CBL s Predecessor contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for a limited partner interest when the Operating Partnership was formed in November 1993. Jacobs contributed their interests in certain real estate properties and joint ventures to the Operating Partnership in exchange for limited partner interests when the Operating Partnership acquired the majority of Jacobs interests in 23 properties in January 2001 and the balance of such interests in February 2002. At June 30, 2007, CBL s Predecessor owned a 15.0% limited partner interest, Jacobs owned a 19.7% limited partner interest and various third parties owned an 8.9% limited partner interest in the Operating Partnership. CBL s Predecessor also owned 6.3 million shares of CBL s common stock at June 30, 2007, for a total combined effective interest of 20.4% in the Operating Partnership.

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

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

The accompanying condensed consolidated financial statements are unaudited; however, they have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities and

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Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. The results for the interim periods ended June 30, 2007, are not necessarily indicative of the results to be obtained for the full fiscal year.

These condensed consolidated financial statements should be read in conjunction with CBL s audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2006.

Note 2 Joint Ventures

Equity Method Investments

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

Joint Venture	**Property Owned**	**Company's Interest**	
Governor s Square IB	Governor s Plaza	50.0	%
Governor s Square Company	Governor s Square	47.5	%
High Pointe Commons, LP	High Pointe Commons	50.0	%
Imperial Valley Mall L.P.	Imperial Valley Mall	60.0	%
Imperial Valley Peripheral L.P.	Imperial Valley Mall (vacant land)	60.0	%
Imperial Valley Commons L.P.	Imperial Valley Commons	60.0	%
Kentucky Oaks Mall Company	Kentucky Oaks Mall	50.0	%
Mall of South Carolina L.P.	Coastal Grand Myrtle Beach	50.0	%
Mall of South Outparcel L.P.	Coastal Grand Myrtle Beach (vacant land)	50.0	%
Mall Shopping Center Company	Plaza del Sol	50.6	%
Parkway Place L.P.	Parkway Place	45.0	%
Triangle Town Member LLC	Triangle Town Center, Triangle Town Commons and Triangle Town Place	50.0	%
York Town Center, LP	York Town Center	50.0	%

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

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

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

Cost Method Investments

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

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

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

The Company accounts for its minority interest in Jinsheng using the cost method because the Company does not exercise significant influence over Jinsheng and there is no readily determinable market value of Jinsheng s shares since they are not publicly traded. The Company recorded the secured note at its estimated fair value of $4,513, which reflects a discount of $362 due to the fact that it is non-interest bearing. The discount is amortized to interest income over the term of the secured note using the effective interest method. The minority interest and the secured note are reflected as investment in unconsolidated affiliates in the accompanying consolidated balance sheet. The Company recorded the warrant at its estimated fair value of $362, which is included in other assets in the accompanying consolidated balance sheet. There were no significant changes to the fair values of the secured note and warrant during the three months ended June 30, 2007.

Variable Interest Entities

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

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

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

Note 3 Mortgage and Other Notes Payable

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

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

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

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

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

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Unsecured Line of Credit

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

Secured Lines of Credit

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

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

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

Letters of Credit

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

Covenants and Restrictions

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

Maturities

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

Note 4 Shareholders Equity and Minority Interests

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

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

Note 5 Segment Information

The Company measures performance and allocates resources according to property type, which is determined based on certain criteria such as type of tenants, capital requirements, economic risks, leasing terms, and short and long-term returns on capital. Rental income and tenant reimbursements from tenant leases provide the majority of revenues from all segments. Information on the Company s reportable segments is presented as follows:

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

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

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

Six Months Ended June 30, 2006	Malls	Associated Centers	Community Centers	All Other	Total
Revenues	$ 443,517	$ 18,413	$ 3,877	$ 13,379	$ 479,186
Property operating expenses (1)	(149,380)	(4,275)	(1,259)	12,514	(142,400)
Interest expense	(107,909)	(2,304)	(1,405)	(15,972)	(127,590)
Other expense				(8,688)	(8,688)
Gain (loss) on sales of real estate assets	(5)	1,059	48	1,828	2,930
Segment profit and loss	$ 186,223	$ 12,893	$ 1,261	$ 3,061	203,438
Depreciation and amortization expense					(108,404)
General and administrative expense					(18,649)
Loss on impairment of real estate assets					(274)
Interest and other income					3,678
Equity in earnings of unconsolidated affiliates					3,186
Minority interest in earnings					(37,116)
Income from continuing operations					$ 45,859
Total assets	$ 5,735,977	$ 276,547	$ 54,700	$ 262,981	$ 6,330,205
Capital expenditures (2)	$ 97,599	$ 23,847	$ 522	$ 52,533	$ 174,501

(1) Property operating expenses include property operating expenses, real estate taxes and maintenance and repairs.

(2) Amounts include acquisitions of real estate assets and investments in unconsolidated affiliates. Developments in progress are included in the All Other category.

Note 6 Earnings Per Share

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

	Three Months Ended June 30, 2007	**2006**	**Six Months Ended June 30, 2007**	**2006**
Weighted average shares outstanding	**65,648**	64,345	**65,607**	63,697
Weighted average in nonvested stock awards	**(402)**	(342)	**(429)**	(364)
Denominator - basic earnings per share	**65,246**	64,003	**65,178**	63,333
Dilutive effect of:				
Stock options	**525**	1,183	**553**	1,300
Nonvested stock awards	**113**	134	**136**	158
Deemed shares related to deferred compensation arrangements	**38**	65	**38**	66
Denominator - diluted earnings per share	**65,922**	65,385	**65,905**	64,857

Note 7 Comprehensive Income

Comprehensive income includes all changes in shareholders equity during a period, except those resulting from investments by and distributions to shareholders. Comprehensive income includes other comprehensive income (loss) of $(3,003) and $(646) in the three months ended June 30, 2007 and 2006, respectively, and $(2,472) and $161 in the six months ended June 30, 2007 and 2006, respectively. Other comprehensive income in all periods presented represents unrealized gain (loss) on marketable securities that are classified as available for sale. Comprehensive income was $19,685 and $27,924 for the three months ended June 30, 2007 and 2006, respectively, and $45,259 and $56,986 for the six months ended June 30, 2007 and 2006, respectively.

Note 8 Contingencies

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

The Company owns a parcel of land that it is ground leasing to a third party developer for the purpose of developing a shopping center. The Company has guaranteed 27% of the third party s construction loan and bond line of credit (the loans) of which the maximum guaranteed amount is $31,554. The total amount outstanding at June 30, 2007 on the loans was $10,950 of which the Company has guaranteed $2,957. The Company has recorded an obligation of $315 in the accompanying consolidated balance sheet as of June 30, 2007 to reflect the estimated fair value of the guaranty.

The Company has guaranteed 50% of the debt of Parkway Place L.P., an unconsolidated affiliate in which the Company owns a 45% interest, which owns Parkway Place in Huntsville, AL. The total amount outstanding at June 30, 2007 was $53,200 of which the Company has guaranteed $26,600. The guaranty will expire when the related debt matures in June 2008. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company has guaranteed the performance of York Town Center, LP (YTC), an unconsolidated affiliate in which the Company owns a 50% interest, under the terms of an agreement with a third party that will own property adjacent to the shopping center property YTC is currently developing. Under the terms of that agreement, YTC is obligated to cause performance of the third party s obligations as landlord under its lease with its sole tenant, including, but not limited to, provisions such as co-tenancy and exclusivity requirements. Should YTC fail to cause performance, then the tenant under the third party landlord s lease may pursue certain remedies ranging from rights to terminate its lease to receiving reductions in rent. The Company has guaranteed YTC s performance under this agreement up to a maximum of $22,000, which decreases by $800 annually until the guaranteed amount is reduced to $10,000. The guaranty expires on December 31, 2020. The maximum guaranteed obligation was $21,200 as of June 30, 2007. The Company has entered into an agreement with its joint venture partner under which the joint venture partner has agreed to reimburse the Company 50% of any amounts the Company is obligated to fund under the guaranty. The Company has not recorded an obligation for this guaranty because it has determined that the fair value of the guaranty is not material.

The Company has issued various bonds that it would have to satisfy in the event of non-performance. At June 30, 2007, the total amount outstanding on these bonds was $17,062.

Note 9 Share-Based Compensation

The compensation cost that was charged against income was $935 and $1,512 for the three months ended June 30, 2007 and 2006, respectively, and $2,198 and $3,765 for the six months ended June 30, 2007 and 2006, respectively. Compensation cost capitalized as part of real estate assets was $204 and $107 for the three months ended June 30, 2007 and 2006, respectively, and $391 and $213 for the six months ended June 30, 2007 and 2006, respectively.

The Company s stock option activity for the six months ended June 30, 2007 is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2007	1,502,720	$ 14.40
Exercised	(225,254)	13.13
Cancelled	(1,000)	18.27
Expired	(1,000)	12.81
Outstanding at June 30, 2007	1,275,466	14.63
Vested at June 30, 2007	1,275,466	14.63
Options exercisable at June 30, 2007	1,275,466	14.63

A summary of the status of the Company s stock awards as of June 30, 2007, and changes during the six months ended June 30, 2007, is presented below:

	Shares	Weighted Average Grant-Date

		Fair Value
Nonvested at January 1, 2007	457,344	$ 34.35
Granted	30,328	43.77
Vested	(138,948)	35.93
Forfeited	(7,024)	35.76
Nonvested at June 30, 2007	341,700	34.71

As of June 30, 2007, there was $9,981 of total unrecognized compensation cost related to nonvested stock options and stock awards granted under the plan, which is expected to be recognized over a weighted average period of 3.2 years.

Note 10 Noncash Investing and Financing Activities

The Company s noncash investing and financing activities were as follows for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30,	
	2007	**2006**
Additions to real estate assets accrued but not yet paid	**$ 37,471**	$ 28,317
Reclassification of developments in progress to mortgage notes receivable	**6,528**	
Note receivable received on sale of land	**3,735**	
Minority interest issued in acquisition of real estate assets	**330**	
Conversion of minority interest into common stock		16,486

Note 11 Discontinued Operations

During the three months ended June 30, 2007, the Company entered into an agreement to sell Twin Peaks Mall in Longmont, CO to a third party buyer. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, the property has been classified as held for sale and the related results of operations for all periods presented are included in discontinued operations in the accompanying consolidated financial statements. The sale is expected to close in the third quarter ending September 30, 2007. Proceeds from the sale will be used to reduce outstanding borrowings on the Company s lines of credit. There were no properties held for sale as of December 31, 2006.

During May 2006, the Company sold three community centers for an aggregate sales price of $42,280 and recognized a gain of $7,215. The Company also sold two community centers in May 2006 for an aggregate sales price of $63,000 and recognized a loss on impairment of real estate assets of $274.

Total revenues for the properties included in discontinued operations in the accompanying consolidated statements of operations were $1,629 and $3,001 for the three and six month periods ended June 30, 2007, respectively, and $2,997 and $8,020 for the three and six month periods ended June 30, 2006, respectively.

Note 12 Income Taxes

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

The Company recorded an income tax provision of $948 and $1,751 for the three and six months ended June 30, 2007, respectively. The provision consists of a current tax benefit of $244 and a deferred tax provision of $1,192, respectively, for the three months ended June 30, 2007, and a current and deferred tax provision of $895 and $856, respectively, for the six months ended June 30, 2007. There was no income tax provision recorded in the three and six months ended June 30, 2006.

The Company had a net deferred tax asset of $3,679 at June 30, 2007 and $4,291 at December 31, 2006. The net deferred tax asset at June 30, 2007 and December 31, 2006 primarily consisted of operating expense accruals and differences between book and tax depreciation.

The Company reports any income tax penalties attributable to its properties as property operating expenses and any corporate-related income tax penalties as general and administrative expenses in its statement of operations. In addition, any interest incurred on tax assessments are reported as interest expense. The Company reported nominal interest and penalty amounts for the three months ended June 30, 2007 and 2006, respectively, and the six months ended June 30, 2007 and 2006, respectively.

Note 13 Recent Accounting Pronouncements

On July 13, 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No.109, *Accounting for Income Taxes*, by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company adopted FIN 48 as of January 1, 2007 and has analyzed its various federal and state filing positions. Based on this evaluation, the Company believes that its accruals for income tax liabilities are adequate and, therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. Additionally, the Company did not record a cumulative effect adjustment related to the adoption of FIN 48.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework that clarifies the fair value measurement objective within GAAP and its application under the various pronouncements that require or permit fair value measurements, and expands disclosures about fair value measurements. It is intended to increase consistency and comparability among fair value estimates used in financial reporting. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The transition adjustment, which is measured as the difference between the carrying amount and the fair value of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which SFAS No. 157 is initially applied. The provisions of SFAS No. 157 are effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact of adopting SFAS No. 157 on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, although early application is allowed. The Company is currently evaluating the impact of adopting SFAS No. 159 on its financial position and results of operations.

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

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

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

EXECUTIVE OVERVIEW

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

As of June 30, 2007, we owned controlling interests in 72 regional malls/open-air centers, 28 associated centers (each adjacent to a regional shopping mall), four community centers and our corporate office building. We consolidate the financial statements of all entities in which we have a controlling financial interest or where we are the primary beneficiary of a variable interest entity. As of June 30, 2007, we owned non-controlling interests in seven regional malls, four associated centers and one community center. Because one or more of the other partners have substantive participating rights we do not control these partnerships and joint ventures and, accordingly, account for these investments using the equity method. We had seven mall expansions, three associated/lifestyle centers, one mixed-use center, three community centers (one of which is owned in a joint venture) and an office building under construction at June 30, 2007. We also hold options to acquire certain development properties owned by third parties.

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

RESULTS OF OPERATIONS

The following significant transactions impact the comparison of the results of operations for the three months and six months ended June 30, 2007 to the results of operations for the comparable periods ended June 30, 2006:

We have opened two associated centers and three community centers since January 1, 2006 (collectively referred to as the New Properties). We do not consider a property to be one of the Comparable Properties (defined below) until the property has been owned or open for one complete calendar year. The New Properties are as follows:

Property	**Location**	**Date Opened**
The Plaza at Fayette Mall	Lexington, KY	October 2006
High Pointe Commons (50/50 joint venture)	Harrisburg, PA	October 2006
Lakeview Pointe	Stillwater, OK	October 2006
The Shops at Pineda Ridge	Melbourne, FL	November 2006
The Shoppes at St. Clair Square	Fairview Heights, IL	March 2007

Properties that were in operation as of January 1, 2006 and June 30, 2007 are referred to as the Comparable Properties.

Comparison of the Three Months Ended June 30, 2007 to the Three Months Ended June 30, 2006

Revenues

The $11.2 million increase in revenues resulted from an increase of $6.8 million attributable to the revenues from the Comparable Properties and an increase of $2.1 million in revenues from the New Properties. Management, development and leasing fees increased $2.3 million primarily attributable to fees received by, or due to, the Company for managing certain new developments and operating properties.

Our cost recovery ratio declined to 102.8% compared to 105.2% for the prior year period. As we continue to convert more and more tenants to fixed common area maintenance arrangements, fluctuations in tenant reimbursements will not correlate as closely with fluctuations in the corresponding expenses as they do with pro rata common area maintenance charges. As a result, there may be more variability in our cost recovery ratio from period to period.

Expenses

The $2.3 million increase in property operating expenses, including real estate taxes and maintenance and repairs, resulted from increases of $1.9 million from the Comparable Properties and $0.4 million attributable to the New Properties.

The $6.3 million increase in depreciation and amortization expense resulted from increases of $5.6 million from the Comparable Properties and $0.7 million from the New Properties. The increase in depreciation and amortization of the Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance and for the write-off of certain tenant allowances related to early lease terminations.

General and administrative expenses increased $1.5 million due to annual increases in salaries and benefits of existing personnel and the addition of new personnel to support our growth.

Other Income and Expenses

Interest and other income increased by $0.9 million primarily due to a fee of $1.0 million related to the grant of an access and utilities easement at one of our properties.

Interest expense increased by $5.2 million due to additional debt associated with the New Properties as well as the refinancing of certain existing properties with increased principal amounts. In addition, we experienced an increase in the weighted average interest rate of our variable-rate debt as compared to the prior year quarter.

Gain on Sales

Gain on sales of real estate assets of $2.7 million in the three months ended June 30, 2007 relates to the recognition of gain on one property for which the gain had previously been deferred. Gain on sales of real estate assets of $2.0 million in the three months ended June 30, 2006 relates to the sale of two parcels of land.

Income Tax Provision

The income tax provision of $0.9 million for the three months ended June 30, 2007 relates to the earnings of our taxable REIT subsidiary and consists of a provision for deferred income taxes of $1.2 million, which is partially offset by a current income tax benefit of $0.3 million.

Discontinued Operations

We recognized income from discontinued operations of $0.5 million for the three months ended June 30, 2007, which represents a decline of $8.2 million from the $8.7 million of gain and income from discontinued operations that we recognized during the three months ended June 30, 2006. Discontinued operations in the three months ended June 30, 2007 and 2006 reflects the results of operations of Twin Peaks Mall, which is expected to be sold in the third quarter of 2007, plus the true up of estimated expenses to actual amounts for properties sold during previous periods. Discontinued operations for the three months ended June 30, 2006 also reflects the results of operations and gain on the disposal of five community centers that were sold in May 2006.

Comparison of the Six Months Ended June 30, 2007 to the Six Months Ended June 30, 2006

Revenues

The $16.5 million increase in revenues resulted from an increase of $10.8 million attributable to the revenues from the Comparable Properties, an increase of $3.9 million in revenues from the New Properties, and an increase in management, development and leasing fees of $2.4 million

Our cost recovery ratio declined to 100.3% compared to 104.8% for the prior year period. As we continue to convert more and more tenants to fixed common area maintenance arrangements, fluctuations in tenant reimbursements will not correlate as closely with fluctuations in the corresponding expenses as they do with pro rata common area maintenance charges. As a result, there may be more variability in our cost recovery ratio from period to period. In addition, the year-to-date decline is partially due to higher than expected snow removal costs incurred by the Company in the first quarter of 2007 and increases in bad debt expense.

Expenses

The $9.3 million increase in property operating expenses, including real estate taxes and maintenance and repairs, resulted from increases of $8.6 million from the Comparable Properties and $0.7 million attributable to the New Properties. The increase in property operating expenses of the Comparable properties included a $2.0 million increase in bad debt expense that resulted from bad debt expense of $0.7 million in the six months ended June 30, 2007 compared to a net recovery of $1.3 million in the six months ended June 30, 2006.

The $8.8 million increase in depreciation and amortization expense resulted from increases of $7.6 million from the Comparable Properties and $1.2 million from the New Properties. The increase in depreciation and amortization of the Comparable Properties is due to ongoing capital expenditures for renovations, expansions, tenant allowances and deferred maintenance and for the write-off of certain tenant allowances related to early lease terminations.

General and administrative expenses increased $2.1 million due to annual increases in salaries and benefits of existing personnel and the addition of new personnel to support our growth.

Other Income and Expenses

Interest and other income for the six months ended June 30, 2007 increased primarily due to a fee of $1.0 million related to the grant of an access and utilities easement at one of our properties.

Interest expense increased by $7.4 million due to the additional debt associated with the New Properties as well as the refinancing of certain existing properties with increased principal amounts. In addition, we experienced an increase in the weighted average interest rate of our variable-rate debt as compared to the prior year period.

We recorded a loss on extinguishment of debt of $0.2 million as a result of prepayment fees related to a loan that we retired prior to its scheduled maturity date during the six months ended June 30, 2007.

Gain on Sales

Gain on sales of real estate assets of $6.2 million in the six months ended June 30, 2007 relates to the sale of six parcels of land. Gain on sales of real estate assets of $2.9 million in the six months ended June 30, 2006 relates to the sale of three parcels of land.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates decreased $1.5 million primarily due to a lower level of outparcel sales at certain unconsolidated affiliates as compared to the prior year period.

Income Tax Provision

The income tax provision of $1.8 million for the six months ended June 30, 2007, relates to the earnings of our taxable REIT subsidiary and consists of provisions for current and deferred income taxes of $0.9 million each. We have cumulative stock-based compensation deductions that may be used to offset the current income tax payable of $0.9 million; therefore, we reduced the payable for current period income taxes to zero by recognizing a portion of the benefit of the cumulative stock-based compensation deductions.

Discontinued Operations

We recognized income from discontinued operations of $0.5 million for the six months ended June 30, 2007, which represents a decline of $10.5 million from the $11.0 million of gain and income from discontinued operations that we recognized during the six months ended June 30, 2006. Discontinued operations in the six months ended June 30, 2007 and 2006 reflects the results of operations of Twin Peaks Mall which is expected to be sold in the third quarter of 2007, plus the true up of estimated expenses to actual amounts for properties sold during previous periods. Discontinued operations in the six months ended June 30, 2006 also reflects the results of operations and gain on disposal of five community centers that were sold in May 2006.

Operational Review

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

We classify our regional malls into two categories malls that have completed their initial lease-up are referred to as stabilized malls and malls that are in their initial lease-up phase and have not been open for three calendar years are referred to as non-stabilized malls. The non-stabilized malls currently include 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 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:

	Six Months Ended June 30,			
	2007		**2006**	
Malls	**91.8**	**%**	92.6	%
Associated centers	**4.1**	**%**	3.8	%
Community centers	**0.9**	**%**	0.8	%
Mortgages, office building and other	**3.2**	**%**	2.8	%

Sales and Occupancy Costs

Mall store sales (for those tenants who occupy 10,000 square feet or less and have reported sales) increased by 2.0% on a comparable per square foot basis for the six months ended June 30, 2007 compared with an increase of 3.8% for the six months ended June 30, 2006. Mall store sales for the trailing twelve months ended June 30, 2007 on a comparable per square foot basis were $344 per square foot compared with $335 per square foot for the trailing twelve months ended June 30, 2006.

Occupancy costs as a percentage of sales for the stabilized malls were 13.8% for the six months ended June 30, 2007 compared to 13.7% for the six months ended June 30, 2006.

Occupancy

The occupancy of the portfolio was as follows:

	At June 30, 2007		2006	
Total portfolio	**91.6**	**%**	91.4	%
Total mall portfolio	**91.7**	**%**	91.4	%
Stabilized malls	**92.2**	**%**	91.4	%
Non-stabilized malls	**82.1**	**%**	89.3	%
Associated centers	**92.3**	**%**	91.8	%
Community centers	**82.7**	**%**	88.5	%

Timing delays at some of the New Properties have impacted total occupancy. At High Pointe Commons, the anchors have opened but many of the stores are still in the process of taking occupancy. While occupancy was approximately 70% as of June 30, 2007, the project is over 90% leased. At Gulf Coast Town Center, although the project is 97% leased and committed, occupancy was at 56% as of June 30, 2007. Several stores have encountered delays in receiving building permits due to the lengthy process time involved in that geographic area. In addition, the lifestyle center developments generally open in staggered phases, reflecting initial lower occupancy rates, as compared to mall properties in which a greater number of tenants are typically open as of a mall s grand opening date.

Leasing

During the second quarter of 2007, the Company revised its lease reporting focus to small shop spaces less than 10,000 square feet in comparison to the previous reporting on spaces less than 20,000 square feet. This change allows for greater consistency and comparability with the data reported by our peers in the retail real estate industry.

Average annual base rents per square foot for small shop spaces less than 10,000 square feet were as follows for each property type:

	At June 30, 2007	2006
Stabilized malls	**$ 28.00**	$ 27.54
Non-stabilized malls	**28.29**	27.87
Associated centers	**12.09**	10.95
Community centers	**15.09**	16.70
Office	**19.53**	19.34

The following table presents the results we achieved in new and renewal leasing during the three and six months ended June 30, 2007 for small shop spaces less than 10,000 square feet that were previously occupied:

	Square Feet	Gross Rent Per Square Foot Prior Lease (1)	Initial Gross Remt Per Square Foot New Lease (2)	% Change Initial	Average Gross Rent Per Square Foot New Lease (3)	% Change Average
Quarter:						
All Property Types	**806,345**	**$ 33.63**	**$ 36.13**	**7.4%**	**$ 36.67**	**9.0%**
Stabilized malls	746,475	34.98	37.69	7.7%	38.19	9.2%
New leases	251,078	36.18	44.04	21.7%	45.10	24.7%
Renewal leases	495,397	34.38	34.47	0.3%	34.69	0.9%
Year to Date:						
All Property Types	**1,535,929**	**$ 33.49**	**$ 36.28**	**8.3%**	**$ 36.95**	**10.3%**
Stabilized malls	1,433,899	34.60	37.58	8.6%	38.25	10.5%
New leases	521,949	36.25	44.70	23.3%	45.95	26.8%
Renewal leases	911,950	33.65	33.51	-0.4%	33.83	0.5%

(1) Represents the rent that was in place at the end of the lease term.
(2) Represents the rent in place at beginning of the lease term.
(3) Average gross rent over the term of the new lease. Does not incorporate future annual increases for common area maintenance expense reimbursements.

During the second quarter of 2007, on an overall leasing basis, we signed leases totaling approximately 1.2 million square feet, including approximately 0.3 million square feet of development leasing and 0.9 million square feet of leases in our operating portfolio. The 0.9 million square feet was comprised of 0.4 million square feet of new leases and 0.5 million square feet of renewal leases. This compares with a total of 1.0 million square feet of leases signed in the second quarter of 2006, including 0.4 million square feet of development leasing and 0.6 million square feet completed in the operating portfolio. Of the 0.6 million square feet in the operating portfolio, 0.3 million square feet were new leases and 0.3 million square feet were renewals.

LIQUIDITY AND CAPITAL RESOURCES

There was $58.2 million of cash and cash equivalents as of June 30, 2007, an increase of $29.5 million from December 31, 2006. 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 Flows

Cash provided by operating activities during the six months ended June 30, 2007, increased by $12.3 million to $204.4 million from $192.1 million during the six months ended June 30, 2006. This increase is primarily due to the timing of amounts that were retained in accounts payable at June 30, 2007, in addition to the timing of cash receipts from collections of tenant and other receivables prior to the end of the second quarter.

Debt

During the six months ended June 30, 2007, we borrowed $1,047.5 million under mortgage and other notes payable and paid $656.5 million to reduce outstanding borrowings under our lines of credit and repay certain mortgage notes payable. We paid $3.5 million of costs directly related to borrowings and our credit facilities, as well as $0.2 million in prepayment fees related to the retirement of a loan before its scheduled maturity date.

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 shopping center properties) because we believe this provides investors a clearer understanding of our total debt obligations (in thousands):

	Consolidated	Minority Interest	Unconsolidated Affiliates	Total	Weighted Average Interest Rate(1)
June 30, 2007					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 4,066,960	$ (119,955)	$ 217,532	$ 4,164,537	5.91 %
Variable-rate debt:					
Recourse terms loans on operating properties			36,858	36,858	6.43 %
Construction loans	63,814			63,814	6.57 %
Lines of credit	820,932			820,932	6.16 %
Total variable-rate debt	884,746		36,858	921,604	6.20 %
Total	$ 4,951,706	$ (119,955)	$ 254,390	$ 5,086,141	5.96 %

	Consolidated	Minority Interest	Unconsolidated Affiliates	Total	Weighted Average Interest Rate(1)
December 31, 2006					
Fixed-rate debt:					
Non-recourse loans on operating properties	$ 3,517,710	$ (56,612)	$ 218,203	$ 3,679,301	5.97 %
Variable-rate debt:					
Recourse terms loans on operating properties	101,464		27,816	129,280	6.46 %
Construction loans	114,429			114,429	6.61 %
Lines of credit	830,932			830,932	6.19 %
Total variable-rate debt	1,046,825		27,816	1,074,641	6.27 %
Total	$ 4,564,535	$ (56,612)	$ 246,019	$ 4,753,942	6.03 %

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

We have four secured credit facilities with total availability of $613.2 million, of which $567.9 million was outstanding as of June 30, 2007. The secured credit facilities bear interest at a rate of LIBOR plus a margin ranging from 0.80% to 0.90%. Borrowings under the secured lines of credit had a weighted average interest rate of 6.13% at June 30, 2007. We also pay a fee based on the amount of unused availability under our largest secured credit facility that has total availability of $476.0 million at a rate of 0.125% or 0.250%, depending on the level of unused availability.

We have an unsecured credit facility with total availability of $560.0 million, of which $253.0 million was outstanding as of June 30, 2007. The unsecured credit facility bears interest at LIBOR plus a margin of 0.75% to 1.20% based on our leverage. The credit facility matures in August 2008 and has three one-year extension options, which are at our election. At June 30, 2007, the outstanding borrowings under the unsecured credit facility had a weighted average interest rate of 6.22%. Additionally, the Company pays an annual fee of 0.1% of the amount of total availability under the unsecured credit facility.

We also have secured and unsecured lines of credit with total availability of $43.3 million that are used only to issue letters of credit. There was $18.7 million outstanding under these lines at June 30, 2007.

During the three months ended June 30, 2007, we obtained two separate ten-year, non-recourse loans totaling $207.5 million that bear interest at fixed rates ranging from 5.60% to 5.66%, with a weighted average of 5.61%. The loans are secured by Gulf Coast Town Center and Eastgate Crossing. The proceeds were used to retire two variable rate loans totaling $143.3 million and to reduce outstanding balances on the Company s credit facilities.

In March 2007, we obtained six separate ten-year, non-recourse loans totaling $417.0 million that bear interest at fixed rates ranging from 5.67% to 5.68%, with a weighted average of 5.67%. The loans are secured by Mall of Acadiana, Citadel Mall, The Plaza at Fayette Mall, Layton Hills Mall and its associated center, Hamilton Corner and The Shoppes at St. Clair Square. The proceeds were used to retire $92.1 million of mortgage notes payable that were scheduled to mature during the next twelve months and to pay outstanding balances on our credit facilities. The mortgage notes payable that were retired consisted of two variable rate term loans totaling $51.8 million and three fixed rate loans totaling $40.3 million. The Company recorded a loss on extinguishment of debt of $0.2 million in the six months ended June 30, 2007, related to prepayment fees and the write-off of unamortized deferred financing costs associated with the loans that were retired.

The refinancings described in the preceding paragraph enabled us to significantly reduce our exposure to variable-rate debt. As of June 30, 2007, our share of consolidated and unconsolidated variable-rate debt represented 18.1% of our total share of debt, which was down from 22.6% as of December 31, 2006. As of June 30, 2007, our share of consolidated and unconsolidated variable-rate debt represented 9.6% of our total market capitalization (see Equity below) as compared to 10.6% as of December 31, 2006.

The secured and unsecured credit facilities contain, among other restrictions, certain financial covenants including the maintenance of certain coverage ratios, minimum net worth requirements, and limitations on cash flow distributions. We were in compliance with all financial covenants and restrictions under our credit facilities at June 30, 2007.

We expect to refinance the majority of mortgage and other notes payable maturing over the next five years with replacement loans. Based on our pro rata share of total debt, there are two loans totaling $67.2 million that are scheduled to mature before June 30, 2008. We expect to retire or refinance these loans.

Equity

On August 1, 2007, our Board of Directors authorized a $100.0 million common stock repurchase plan effective over the next twelve months. Any stock repurchases will be made from time to time through open market purchases, in accordance with Securities and Exchange Commission safe harbor provisions, and will be funded through our available cash and credit facilities. The timing and price of any stock repurchases will be determined by the market value in effect from time to time for our common stock. We are not obligated to repurchase any shares of stock under the plan, and we may terminate the stock repurchase plan at any time.

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On June 28, 2007, we redeemed the 2,000,000 outstanding shares of our 8.75% Series B Cumulative Redeemable Stock (the Series B Preferred Stock) for $100.0 million, representing a liquidation preference of $50.00 per share, plus accrued and unpaid dividends of $2.1 million. In connection with the redemption of the Series B Preferred Stock, we recorded a charge of $3.6 million to write off direct issuance costs that were recorded as a reduction of additional paid-in capital when the Series B Preferred Stock was issued. The charge is included in preferred dividends in the accompanying consolidated statements of operations for the three and six month periods ended June 30, 2007.

During the six months ended June 30, 2007, we received $3.1 million in proceeds from issuances of common stock related to exercises of employee stock options and from our dividend reinvestment plan.

In addition, we paid dividends of $81.4 million to holders of our common stock and our preferred stock, as well as $57.2 million in distributions to the minority interest investors in our Operating Partnership and certain shopping center properties.

During the three and six months ended June 30, 2007, holders of 24,834 and 220,670 special common units of limited partnership interest in the Operating Partnership, respectively, exercised their conversion rights. We elected to pay cash of $0.9 million and $9.4 million, respectively, in exchange for the special common units.

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

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

Our strategy is to maintain a conservative debt-to-total-market capitalization ratio in order to enhance our access to the broadest range of capital markets, both public and private. Based on our share of total consolidated and unconsolidated debt and the market value of equity, our debt-to-total-market capitalization (debt plus market value equity) ratio was as follows at June 30, 2007 (in thousands, except stock prices):

	Shares Outstanding	**Stock Price (1)**	**Value**	
Common stock and operating partnership units	116,285	$ 36.05	$4,192,074	
7.75% Series C Cumulative Redeemable Preferred Stock	460	250.00	115,000	
7.375% Series D Cumulative Redeemable Preferred Stock	700	250.00	175,000	
Total market equity			4,482,074	
Company s share of total debt			5,086,141	
Total market capitalization			$9,568,215	
Debt-to-total-market capitalization ratio			53.2	%

(1) Stock price for common stock and operating partnership units equals the closing price of the common stock on June 29, 2007. The stock price for the preferred stock represents the liquidation preference of each respective series of preferred stock.

Capital Expenditures

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

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

The following tables summarize our development projects as of June 30, 2007 (dollars in thousands):

Properties Opened Year-to-date

Property	Location	Total Project Square Feet	CBL s Share of Total Cost		Cost To Date	Date Opened	Initial Yield (d)
Mall Expansions:							
Brookfield Square - Mitchell s Fish Market	Brookfield, WI	7,500	$ 3,044		$ 2,044	April 2007	8.4%
Southpark Mall - Regal Cinema	Colonial Heights, VA	68,242	11,322		11,322	July 2007	11.0%
Open-Air Center:							
Alamance Crossing East	Burlington, NC	571,700	79,950		69,675	August 2007	8.4%
Open-Air Center Expansion:							
Gulf Coast Town Center Phase II-shops/Costco (a)	Ft. Myers, FL	595,990	83,286	(a)	83,286	Spring 2007	9.2%
Associated Center:							
The Shoppes at St. Clair Square	Fairview Heights, IL	84,080	27,487		27,257	March 2007	7.0%
Associated Center Renovation:							
Madison Plaza	Huntsville, AL	153,085	1,200		1,156	June 2007	N/A
Redevelopments:							
Mall del Norte - Theater	Laredo, TX	81,150	14,403		10,277	Spring 2007	7.4%
		1,561,747	$ 220,692		$ 205,017		

Announced Property Renovations and Redevelopments

Property	Location	Total Project	CBL s Share of Total Cost	Cost To Date	Opening Date	Initial Yield (d)

		SquareFeet							
Mall Renovations:									
Brookfield Square	Brookfield, WI	1,132,984	$	18,100	$	1,187	Fall 2007	NA	
Georgia Square	Athens, GA	674,738		16,900		1,182	Spring 2008	NA	
Mall del Norte	Laredo, TX	1,207,687		20,400		10,649	Fall 2007	NA	
Honey Creek Mall	Terre Haute, IN	678,763		5,600		2,357	Fall 2007	NA	
Redevelopments:									
Parkdale Mall - Former Dillards	Beaumont, TX	50,720		14,720		6,879	Fall 2007	4.1	%
Northpark Mall - Former Wards	Joplin, MO	90,688		9,750		4,321	Fall 2007	7.8	%
Columbia Place - Former JCPenney	Columbia, SC	124,819		12,831		9,577	August 2007/ February 2008	6.5	%
Westgate Mall - Former Proffits	Spartanburg, SC	153,000		N/A		N/A	August 2007	N/A	
		4,113,399	$	98,301	$	36,152			

Properties Under Development at June 30, 2007

Property	Location	Total Project Square Feet		CBL s Share of Total Costs	CBL s Share of Cost To Date	Opening Date	Initial Yield (d)
Mall Expansions:							
The District at Valley View shops	Roanoke, VA	61,200		$ 18,026	$ 15,312	July/Fall 2007	7.6 %
Brookfield Square - Fresh Market	Brookfield, WI	22,400		4,960	4,587	Fall 2007	7.6 %
The District at CherryVale	Rockford, IL	84,541		21,099	10,199	Fall 2007	7.4 %
Harford Mall - lifestyle expansion	Bel Air, MD	39,222	(b)	9,654	5,580	September 2007	6.1 %
Southpark Mall - Foodcourt	Colonial Heights, VA	17,150		4,188	729	Spring 2008	11.0 %
Coastal Grand - JCPenney	Myrtle Beach, SC	103,395		N/A	N/A	Spring 2008	N/A
Coastal Grand - Ulta Cosmetics	Myrtle Beach, SC	10,000		1,449		Spring 2008	8.7 %
Cary Towne Center - Mimi s Café	Cary, NC	6,674		2,243	467	Spring 2008	15.0 %
Brookfield Square - Claim Jumpers	Brookfield, WI	12,000		3,430	136	Fall 2008	11.9 %
Associated/Lifestyle Centers:							
Milford Marketplace	Milford, CT	107,226		26,028	15,372	October 2007	8.3 %
Brookfield Square - Corner Development	Brookfield, WI	19,745		8,372	4,067	Fall 2008	8.0 %
Imperial Valley Commons - Phase I (e)	El Centro, CA	610,966		11,471	6,474	Fall 2008/ Summer 2009	8.7 %
Office:							
CBL Center II	Chattanooga, TN	74,598		17,120	3,628	January 2008	8.6 %
Mixed-Use Center:							
Pearland Town Center	Pearland, TX	719,388		154,182	52,366	Fall 2008	7.4 %
Community/Open-Air Centers:							
Alamance Crossing - Theater/Shops	Burlington, NC	82,997		18,882		Spring 2008	8.4 %
York Town Center (c)	York, PA	274,495		21,099	13,137	September 2007	9.8 %
Summit Fair	Lee s Summit, MO	513,000		15,654		Fall 2008/ Summer 2009	9.6 %
Cobblestone Village at Palm Coast	Palm Coast, FL	277,770		10,520	16,272	October 2007	7.7 %
		3,036,767		$ 348,377	$ 148,326		

(a) Amounts shown are 100% of total cost and cost to date for all of Phase II due to the fact that we fund all costs.

(b) Total square footage includes redevelopement and expansion of 2,641 square feet.

(c) 50/50 joint venture.

(d) Initial yields include reductions for management and development fees.

(e) 60/40 Joint Venture. Amounts shown are 100% of total costs and cost to date as CBL has funded all costs to date.

As of June 30, 2007, there were construction loans in place for the development costs of Alamance Crossing, Milford Marketplace and York Town Center. Subsequent to the end of the quarter, we closed on a construction loan to fund the development costs of Pearland Town Center. The remaining development costs will be funded with operating cash flows, credit facilities or construction loans that we plan to obtain in the near term.

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

Dispositions

We received $14.6 million in net proceeds from the sales of six parcels of land during the six months ended June 30, 2007.

Other Capital Expenditures

Including our share of unconsolidated affiliates capital expenditures and excluding minority investors share of capital expenditures, we spent $27.3 million during the six months ended June 30, 2007 for tenant allowances, which will generate increased rents from tenants over the terms of their leases. Deferred maintenance expenditures were $8.7 million for the six months ended June 30, 2007 and included $5.1 million for roof repairs and replacements, $0.3 million parking lots and parking lot lighting and $3.3 million for other capital expenditures. Renovation expenditures were $16.6 million for the six months ended June 30, 2007.

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

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006. 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, including rent holidays, of the related leases. Most 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, utilities and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized as revenue in the period the related operating expenses are incurred. Tenant reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 15 years and are recognized as revenue when billed.

We receive management, leasing and development fees from third parties and unconsolidated affiliates. Management fees are charged as a percentage of revenues (as defined in the management agreement) and are recognized as revenue when earned. Development fees are recognized as revenue on a pro rata basis over the development period. Leasing fees are charged for newly executed leases and lease renewals and are recognized as revenue when earned. Financing fees are earned in accordance with the terms of the applicable joint venture agreement. Development, leasing and financing fees received from unconsolidated affiliates 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, and tenant improvements, (ii) and 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. Any difference between the face value of the debt assumed and its fair value is amortized to interest expense over the remaining term of the debt using the effective interest method.

Carrying Value of Long-Lived Assets

We periodically evaluate long-lived assets to determine if there has been any impairment in their carrying values and record impairment losses if the undiscounted cash flows estimated to be generated by those assets are less than the assets 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 will be charged to operations. We did recognize an impairment of $0.3 million during the three and six months ended June 30, 2006. No impairments have been incurred during the current year as of June 30, 2007.

RECENT ACCOUNTING PRONOUNCEMENTS

On July 13, 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No.109, *Accounting for Income Taxes*, by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We adopted FIN 48 as of January 1, 2007 and have analyzed our various federal and state filing positions. Based on this evaluation, we believe that our accruals for income tax liabilities are adequate and, therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. Additionally, we did not record a cumulative effect adjustment related to the adoption of FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework that clarifies the fair value measurement objective within GAAP and its application under the various pronouncements that require or permit fair value measurements, and expands disclosures about fair value measurements. It is intended to increase consistency and comparability among fair value estimates used in financial reporting. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The transition adjustment, which is measured as the difference between the carrying amount and the fair value of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which SFAS No. 157 is initially applied. The provisions of SFAS No. 157 are effective for us beginning January 1, 2008. We are currently evaluating the impact of adopting SFAS No. 157 on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 109 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, although early application is allowed. We are currently evaluating the impact of adopting SFAS No. 159 on our financial position and results of operations.

IMPACT OF INFLATION

In the last three years, inflation has not had a significant impact on us 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 in the range of five to ten years, which may enable us to replace existing leases with new leases at higher base and/or percentage rents if rents of the existing leases are below the then existing market rate. Most of the leases require tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

FUNDS FROM OPERATIONS

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

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

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

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

FFO does not represent cash flows from operations as defined by 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 allocable to common shareholders decreased 1.4% for the three months ended June 30, 2007 to $48.4 million from $49.1 million for the same period in 2006. FFO allocable to common shareholders decreased 2.3% for the six months ended June 30, 2007 to $99.4 million compared to $101.7 million for the same period in 2006.

FFO of our operating partnership decreased 2.9% for the three months ended June 30, 2007 to $85.9 million from $88.5 million for the same period in 2006. FFO of our operating partnership decreased 4.5% for the six months ended June 30, 2007 to $176.7 million compared to $185.1 million for the same period in 2006.

The decline in FFO was primarily the result of the non-cash income tax provision of $0.9 million and $1.8 million for the three and six months ended June 30, 2007, respectively, and the write-off of the direct issuance costs of $3.6 million during the three and six month periods ended June 30, 2007, related to the redemption of our Series B Preferred Stock. No comparable charges were incurred in the prior year periods. In addition, there was no gain on sale related to discontinued operations for the three and six months ended June 30, 2007, compared to a gain of $7.2 million for the three and six months ended June 30, 2006.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Net income available to common shareholders	**$ 11,465**	$ 20,928	**$ 28,866**	$ 41,541
Minority interest in earnings of operating partnership	**9,035**	17,726	**22,598**	35,855
Depreciation and amortization expense of:				
Consolidated properties	**60,530**	54,241	**117,174**	108,404
Unconsolidated affiliates	**3,621**	3,365	**7,125**	6,643
Discontinued operations	**435**	230	**859**	1,348
Non-real estate assets	**(234)**	(210)	**(462)**	(405)
Minority investors' share of depreciation and amortization	**1,096**	(568)	**490**	(1,107)
(Gain) loss on:				
Sales of operating real estate assets		38		38
Discontinued operations		(7,215)	**55**	(7,215)
Funds from operations of the operating partnership	**85,948**	88,535	**176,705**	185,102
Percentage allocable to Company shareholders (1)	**56.29 %**	55.45 %	**56.24 %**	54.93 %
Funds from operations allocable to Company shareholders	**$ 48,380**	$ 49,093	**$ 99,379**	$ 101,677

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

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk on our debt obligations and derivative financial instruments. We may elect to use derivative financial instruments to manage our exposure to changes in interest rates, but will not use them for speculative purposes. Our interest rate risk management policy requires that derivative instruments be used for hedging purposes only and that they be entered into only with major financial institutions based on their credit ratings and other factors.

Based on our proportionate share of consolidated and unconsolidated variable rate debt at June 30, 2007, a 0.5% increase or decrease in interest rates on this variable-rate debt would decrease or increase annual cash flows by approximately $4.6 million and, after the effect of capitalized interest, annual earnings by approximately $4.2 million.

Based on our proportionate share of total consolidated and unconsolidated debt at June 30, 2007, a 0.5% increase in interest rates would decrease the fair value of debt by approximately $97.4 million, while a 0.5% decrease in interest rates would increase the fair value of debt by approximately $100.8 million.

We did not have any derivative financial instruments during the six months ended June 30, 2007.

ITEM 4: Controls and Procedures

Disclosure Controls and Procedures

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of the end of the period covered by this quarterly report, an evaluation was performed under the supervision of our Chief Executive Officer and Chief Financial Officer and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information that we are required to disclose in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Material Weakness Previously Disclosed

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2006, we conducted an assessment of the effectiveness of our internal control over financial reporting and concluded that we did not maintain effective internal control over financial reporting because of the effect of a material weakness in the design and operating effectiveness of our system of internal controls related to the accounting and reporting for income taxes. Specifically, we incorrectly recorded the realized tax return benefits of excess stock compensation deductions as reductions to income tax expense rather than as increases to additional paid-in capital and minority interest liability in accordance with SFAS No. 109, *Accounting for Income Taxes*. Additionally, we improperly recorded deferred income taxes. As a result, we adjusted our consolidated financial statements to comply with accounting principles generally accepted in the United States of America.

Changes to Remediate Material Weakness

To remediate the material weakness, during the six months ended June 30, 2007, management implemented improved procedures and controls related to the accounting for income taxes, including a more rigorous internal review process and increased guidance on accounting requirements for relevant personnel. These additional controls were tested and the material weakness was remediated as of June 30, 2007.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except to the extent that the changes that were implemented in connection with the remediation plan discussed above affected such controls.

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

None

ITEM 1A. Risk Factors

The following information updates the information disclosed in Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2006, by providing information that is current as of June 30, 2007:

RISKS RELATED TO REAL ESTATE INVESTMENTS

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

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

- National, regional and local economic climates, which may be negatively impacted by plant closings, industry slowdowns, adverse weather conditions, natural disasters, acts of terrorism and other factors which tend to reduce consumer spending on retail goods.
- Local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants.
- Increased operating costs, such as increases in real property taxes, utility rates and insurance premiums.
- Perceptions by retailers or shoppers of the safety, convenience and attractiveness of the shopping center.
- The willingness and ability of the shopping center s owner to provide capable management and maintenance services.
- The convenience and quality of competing retail properties and other retailing options, such as the Internet.

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

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

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 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.

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:

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

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

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

Our Properties are located principally in the southeastern and midwestern United States. Our Properties located in the southeastern United States accounted for approximately 50.3% of our total revenues from all Properties for the six months ended June 30, 2007 and currently include 42 malls, 19 associated centers, two community centers and our corporate office building. Our Properties located in the midwestern United States accounted for approximately 29.1% of our total revenues from all Properties for the six months ended June 30, 2007 and currently include 23 malls, three associated centers and one community center. Our results of operations and funds available for distribution to shareholders therefore will be subject generally to economic conditions in the southeastern and midwestern United States. We will continue to look for opportunities to geographically diversify our portfolio in order to minimize dependency on any particular region; however, the expansion of the portfolio through both acquisitions and developments is contingent on many factors including consumer demand, competition and economic conditions.

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

We own partial interests in eleven malls, eight associated centers, two 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 and leasing 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.

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

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

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

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, TN, Pittsburgh, PA, Kansas City, KS, Madison, WI and Chattanooga, TN metropolitan areas, which are our five largest markets.

Our Properties located in the Nashville, TN, Pittsburgh, PA, Kansas City (Overland Park), KS, Madison, WI and Chattanooga, TN metropolitan areas accounted for 5.5%, 4.6%, 3.8%, 3.2% and

3.2% of our revenues for the six months ended June 30, 2007, respectively. No other market accounted for more than 3.0% of our revenues for the six months ended June 30, 2007. Our financial position and results of operations will therefore be affected by the results experienced at Properties located in these metropolitan areas.

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

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

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.

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

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

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

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 coverage for 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 its current expiration date of December 31, 2007, we may incur higher insurance costs and greater

difficulty in obtaining insurance that covers terrorist-related damages. Our tenants may also experience similar difficulties.

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

If in any taxable year we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to federal income tax on our taxable income at regular corporate rates. Unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, the funds available for distribution to our stockholders would be reduced for each of the years involved. This would likely have a significant adverse effect on the value of our securities and our ability to raise additional capital. In addition, we would no longer be required to make distributions to our stockholders. We currently intend to operate in a manner designed to qualify as a REIT. However, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors, with the consent of a majority of our stockholders, to revoke the REIT election.

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

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

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

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

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

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

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

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

> <u>The Ownership Limit</u> 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 B. Lebovitz, David Jacobs, the estate of Richard Jacobs and their affiliates under the Internal Revenue Code s attribution rules). In addition to preserving our status as a REIT, the ownership limit may have the effect of precluding an acquisition of control of us without the approval of our board of directors.

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

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

Vote Required to Amend Bylaws A vote of $66^{2}/_{3}\%$ of the outstanding voting stock is necessary to amend our bylaws.

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

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

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

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

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

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

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

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.

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

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

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

(c) The following table presents information with respect to repurchases of common stock made by us during the three months ended June 30, 2007:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
April 1 30, 2007		$		
May 1 31, 2007	22,364	$ 41.66		
June 1 30, 2007	53	$ 39.60		
Total	22,417	$ 41.66		

(1) Represents shares surrendered to the Company by employees to satisfy federal and state income tax withholding requirements related to the vesting of shares of restricted stock.

(2) Represents the market value of the common stock on the vesting date for the shares of restricted stock, which was used to determine the number of shares required to be surrendered to satisfy income tax withholding requirements.

ITEM 3: Defaults Upon Senior Securities

None

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

We held our Annual Meeting of Shareholders on May 7, 2007. The matters that were submitted to a vote of shareholders and the related results are as follow:

1. The following directors were re-elected to three-year terms that expire in 2010:

Stephen D. Lebovitz (57,843,843 votes for and 4,817,860 votes against or withheld), and

Winston W. Walker (56,719,937 votes for and 5,941,766 votes against or withheld).

The following additional directors are presently serving three-year terms, which continue beyond the 2007 Annual Meeting of Shareholders:

Charles B. Lebovitz (term expires in 2008),

Claude M. Ballard (term expires in 2008),

Gary L. Bryenton (term expires in 2008),

Leo Fields (term expires in 2008),

John N. Foy (term expires in 2009),

Martin J. Cleary (term expires in 2009), and

Matthew S. Dominski (term expires in 2009).

2. Deloitte & Touche was ratified as our independent public accountant for our fiscal year ending December 31, 2007 (61,983,471 votes for and 678,232 votes against or abstentions).

ITEM 5: Other Information

None

ITEM 6: Exhibits

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CBL & ASSOCIATES PROPERTIES, INC.

/s/ John N. Foy

____

John N. Foy

Vice Chairman of the Board, Chief Financial

Officer and Treasurer

(Authorized Officer and Principal Financial Officer)

Date: August 9, 2007

INDEX TO EXHIBITS

Exhibit Number	**Description**
10.18.7	Amended and Restated Loan Agreement between the Operating Partnership, The Lakes Mall, LLC, Lakeshore/Sebring Limited Partnership and First Tennessee Bank National Association, dated May 15, 2007
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
31.1	Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Securities Exchange Act Rule 13a-14(a) by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to Securities Exchange Act Rule 13a-14(b) by the Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.